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DEVELOPMENTS IN SINGAPORE

Singapore has been busily tinkering with constitutions—an occupation that also engaged post-war Malaya long before Tengku Abdul Rahman became a public figure. The third report in five years on local government in Singapore is and was issued earlier this month. It recommends that in addition to the central government there should be a city council and four district councils. In other words, an island with a population less than half that of Hongkong, and measuring only 26 miles by 14, would have in all six governing bodies, double the present number, consisting of the central government, a city council and a rural board.

The new elected leaders of Government in Singapore fear that a rival local authority embracing the whole island would bring the Mayor and Chief Minister into collision. The Rendel Commission, whose report has already been left behind, advised that there should be a single local authority on an island-wide basis, in addition to the central government. The McNeice Committee disagreed with this. It held that the democratic opportunities offered by the existence of five elected local authorities "significantly outweigh the advantages of centralization." This Committee was also in greater doubt than the Rendel Commission about the political advisability of constituting an island-wide authority in addition to the central Government, and investing it with wide powers and financial resources which might well at some future time weigh more heavily than those of the Government itself. The Committee also recommended (two members dissenting) that the administration of

water, gas and electricity supplies be transferred from the City Council to a public Corporation.

Another problem which has likewise been thrown into the arena is that of Chinese education. An All-Party Committee of nine members of the Legislative Assembly, seven of whom are Chinese, tabled a report in the Assembly on February 8. The present Minister of Education (Mr. Chew See Kee) was a member of this committee, which opposed any "unnecessary and unwise curb on student activities" such as a ban on political discussion as opposed to political action. Students should not join in active party politics or industrial disputes, but with Singapore moving toward self-government it would be impractical to forbid "intelligent discussion" in politics.

The report says that whereas in the English-language schools political inclinations have been discouraged, if not actively suppressed, in the Chinese schools there is a tradition of strong political feelings. Such enthusiasm could be misused by groups wishing to overthrow a Government unlawfully, and constant vigilance would be required. But, it was argued, the more pupils are encouraged to understand the privileges and duties of citizens in a democracy the greater the likelihood of their developing a loyalty to Singapore above other loyalties.

"Chinese education is intermingled with and inseparable from Chinese culture, though both may be adaptations or importations of education and culture in China," says the report, which explains that

the outcry following the "belated" proposal to give Chinese education more Government financial support derived from "the underlying suspicions of Chinese educationalists," but once it was realised that Chinese education and culture were not being repressed the aid would be accepted. Chinese students also feel, says the committee, that there is an almost total disregard of what is going to happen to them when they leave school, and opportunities for higher education must be provided at once.

The committee proposes that an educational advisory council be established so that the interests of the various types of schools will be well represented and there will not be "any undue bias towards English education." The separate English and vernacular streams of education must be broken down—out of school by bringing the children together more at concerts, sports and debates, and in school first by bilingualism and then by trilingualism. On a basis of the four main languages (Mandarin, Malay, Tamil and English), primary education should begin in the home language, followed by English, or should begin in English if that is the home language, and be followed by one of the other three. In secondary or middle schools a third language should be introduced, in spite of the tax on the pupil, for not less than two years. The committee falls in line with Peking's policy when it suggests that Mandarin should be chosen before all other Chinese dialects and the report hopes that there will be an interchange of language teachers. Text books should have a more Malayan background, and the Chinese system of committees of management should be extended to all Government and aided English schools; and the Government, to show its interest in Chinese education, should set up one Chinese primary school and one Chinese secondary school. The report has been criticised on two grounds, i.e., that it is very poorly written; and that it is one-sided in its conclusions.

It was, in fact, at once contrasted with the report on Singapore's public transport system, drawn up by a commission under the chairmanship of a London Transport Executive, Mr. L. C. Hawkins, which was described as efficient and workmanlike. It recommends that all Singapore's transport services be unified under a public authority. The public transport is normally operated by the major Singapore Traction Company (a British concern with its head office in London) and 11 Chinese bus companies. The Traction Company was formed 30 years ago and has run the city routes, carrying nearly half the island's passenger traffic. Its workers have been on strike for more than five months. The Chinese bus companies were also idle for some six weeks, but suddenly resumed running under conditions as yet not wholly made known to the public. In spite of the S.T.C.'s franchise they have been running services on that Company's routes as well as their own. The Commission points out that proper through services were never organised, because of the system of separate territories for the traction company and for the Chinese

companies. Last May the City Council decided that the Traction Company, many of whose shareholders are overseas, should be given notice before December 5 requiring it to sell its undertaking to the council. The central Government, however, refused to sanction this, saying that the transaction should be suspended pending the determination of a transport policy for the whole island.

It is estimated that the Singapore Traction Co. would face a loss of M\$2 million annually if it accepted all the demands of its employees, who have been on strike for five months. Even if the Company's offer were accepted it would entail an extra expenditure of over \$1 million, and the offer was made only on the condition that the Company were allowed to increase fares. The representative of the Company pointed out to the Court of Inquiry that this was not a dispute with a large industrial concern or an oil kingdom; it concerned a public utility of small dimensions in a small place. The company's revenue to meet the demands came from

PATTERN FOR TRANSFORMATION IN CHINA

The pattern set in Peking for the conversion of private to joint enterprise was faithfully followed all over the country. In the capital in January 10,600,000 members of the proletariat, both actual and potential, and their families, celebrated the changeover at a mass rally, where firecrackers, gay bunting, drums and cymbals, together with operas and acrobatics, combined to dissemble the joy very few could really have felt. Before this the Government had sent teams of messengers out to all parts of the city bearing good tidings of great joy that the State had graciously agreed to share with the merchants and industrialists their worldly goods and become joint owners with them. After all, this was much better treatment than was meted out to the foreign enterprises, which were confiscated or gradually acquired as if by merest accident.

The owners, in turn, hastily sent back a grateful message to Chairman Mao—also probably in set "spontaneous" style—with a pledge to improve production and management and contribute their share to the country's construction. One group of these messengers was received by Premier Chou En-lai himself. And while this was going on the massive parades were taking place throughout the city. The merchant, with reluctant brush poised over the Message of Gratitude, could not shut out the noise even if he had wished to do so despite the closed windows of a January day in the very cold north.

Owners and shop assistants were only too ready to explain to eager official news agency reporters why they welcomed the changeover. The part owner of a shoe and hat

the poorer section of the travelling public. A public utility like the S.T.C. was in the same position as the London Transport Board in having to set aside reserves. The representative of the labour union, Mr. Lee Kuan Yew, said they could not accept the company's figures because they did not have access to the books but they were not suggesting that the accounts were "cooked."

Most of the many unions on strike get no strike benefits apart from hot drinks to the members, and a correspondent says that a friend of his employed by the S.T.C. as a fitter had never received a cent, though he had paid \$2 a month as union dues and the union had been in existence for the last 15 years at least. Angry members of the Union on January 27 accused their union leaders of causing the starvation of the strikers' families. They said they had not received a cent. But Union officials claimed that M\$20,000 had been spent on "welfare," which worked out at about six cents per family per day. The money had been used, they said, to provide a "periodic" ration of rice and condensed milk, and they had provided the strikers with free meals and free medical attention. Six strikers, who claimed to represent the views of at least half of the union members, said most of their colleagues had survived the past 120 days of the strike by borrowing money or pawning their possessions. Free meals were all very well for bachelor strikers but did not help a striker with children.

store on the busy Wangfuching said he expected an increase in trade and was preparing for it. They were doing quite well but were "bound to lose ground sooner or later" because of competition from State shops. A joint enterprise had all the resources of the State behind it and regular supplies of goods from the State-owned factories. The changeover saved some places from extinction, like the 200-year-old restaurant which did well under the old regime but could not survive under present austerity as a private enterprise, since it needed fresh capital and couldn't get it. The changeover even reconciled competitive families who had been at loggerheads and in competition for many years. Two adjoining shops had adopted cut-throat competitive devices to win one another's customers. Now the wall between their shops has been torn down and they are planning to expand together.

On January 15, all the preliminaries having been accomplished, the great Tienanmen Square was brought into the picture as the central point of a great rally which paraded before Chairman Mao and his "brilliant second" Liu Shao-chi, while the Mayor of Peking (Peng Chen) solemnly intoned the declaration that "Peking has entered Socialist society." They had, he said, "dug out the roots of poverty," and laid the foundations of a co-operative effort to make China prosperous and powerful. Many units and members of the PLA were present and the Mayor described them as "the guardian of our peaceful construction—all our successes have been won under its protection." After his speech five people mounted the rostrum amidst cheers and formally presented to Chairman Mao written reports of the transformation in the fields they represented. They were a collective farmer, a worker, a capitalist, a shop assistant, and a handicraftsman.

There was singing and dancing and a rich variety of performances in various parts of the great square. No doubt the rush of orders some of the newly transformed enterprises anticipated will be forthcoming, but these orders seemed to play a much larger part in the celebrations and the changeover the farther the cities were from the capital. For instance, in Chungking new State production orders were handed out to most of the enterprises which had embraced the State as joint owner. Workers in the 50 odd joint tool workshops and factories in the city "responded keenly" to the news that they had been assigned the task of turning out 65,000 threshing machines. Formerly, working separately, they could produce only small machines and spare parts. Now arrangements for unified work and the pooling of personnel and equipment had made things easier—for those who survived! Four machine plants received orders for 60,000 cog wheels.

In Tientsin, so much nearer the capital, the technique was rather different. There no mention was made of lavish new orders but 659 capitalists had been assigned new positions as managers, vice-managers or section heads in 70 branches of industry and commerce, the whole of which had come under joint management earlier in the week. Jobs for another 40,000 former individual owners "are now being arranged," which indicates that for quite some time Tientsin's unemployed will be substantially increased.

It was somewhat tough for members of the larger families of capitalists who voluntarily supported the policy. The young scion of a big family that owned 24 large textile and flour mills and machine-building plants in eight major

cities and is now general manager of cotton mills in Shanghai, is reported to have received the emissary of the Hsinhua news agency "in a tastefully-decorated room of the quiet garden house in his mansion." And sitting beside the grand piano he told his caller that one of his four daughters was a music student. As Vice-Chairman of the City's Federation of Industry and Commerce he had been extra busy helping in Shanghai's change-over. He made it clear that he preferred to speak as a Chinese rather than as a capitalist, and he indicated that the younger members of the family had been attending all sorts of "conferences" and they had all come to speak out in favour of Socialism. "Quite a number of friends from capitalist countries have expressed surprise at our support for Socialism," he said, as if he had been keeping up a substantial foreign correspondence in spite of all. "Some wanted to find out if I still kept my house; others suspected I was a Communist, disguised as a capitalist. I told them frankly (presumably Chinese friends on the spot) that I had never met a Communist before liberation, and was even afraid of them. A visitor from Tunis told me that all the doubts he brought with him to China were gone after visiting my house and my enterprises, and listening to my experiences and feelings." Incidentally he complained bitterly that his family had been subjected to blackmail by the previous Nationalist authorities, and that his father had to mortgage property valued at \$30 to \$40 million for a loan of \$5 million in 1934. Then after the war was over his septuagenarian father had been held for 40 days by special agents of the Shanghai Garrison Command and released only after payment of U.S.\$200,000.

"On the eve of the liberation, we feared the arrival of the Communist Party. Some of my brothers went to Thailand to start up business there, some ran off to Hongkong. My father, who hated the imperialists, and the Kuomintang, stayed; and I too did not want to leave. Our enterprises were then in difficulty, with the exhaustion of current capital and the bombing carried out by the Kuomintang. But the People's Government provided us with loans, placed orders and helped us to improve the management. The workers also showed new-found enthusiasm. As a result our enterprises were able not only to maintain but expand production. Since 1951 profits began going up. In 1953 our profits came to more than 25% of the total capital. But the enterprises set up by my brothers in Thailand went bankrupt." He added that China had become stronger since liberation and that was what every patriotic Chinese

prides himself upon. "Every point in the Government's programme of policy, every word said by Chairman Mao, has been lived up to. With increased cotton output within China, our mills no longer depend on imported cotton. Our victory in Korea has erased all remaining traces of fear of the imperialists. Now large-scale construction is going on all over the country."

He said that for him the past six years had been a kind of Socialist education. He described his impressions when he paid a visit to the Soviet Union in 1950—a remarkable thing for a "capitalist" to do at that time, which certainly gave a certain additional background for the suspicion with which he was admittedly regarded by his fellow-capitalists. In the Soviet Union, he said, he saw there was nothing to be afraid of in Socialism. "What I lose by Socialism is the private profit which comes from exploitation. In exchange I gain a richer, more prosperous and stronger country. What I lose is the cheating and mistrust common among those who exploit others; and I gain the friendship and trust of the working people, which cannot be bought with money."—a remarkable statement from a capitalist who must have been plagued over and over again in his unregenerate days with demands for more wages! But this ex-capitalist is a new sort of man altogether, apparently. "A prosperous, strong Socialist society is what every Chinese desires," he said, and, introducing his children, he went on: "One of them wants to be a musician, another an engineer. Not one of them wants to be a capitalist."

Incidentally he was one of the three capitalists named as visiting the four-storey workers' cultural palace opposite the old Shanghai Racecourse, who were welcomed by the Vice-Chairman of the trade union council with the words, "welcome to this school of Communism," and it was probably he who passed the remark, cabled to all parts of the world by somewhat cynical correspondents, that "we came as guests but hope soon to become trade union members."

In Shanghai the capitalists went one better than their confreres in Peking. Instead of sending messengers with their homage, more than 2,000 of them personally made a round of visits to the Party and Government organisations, acting as couriers to carry news of the successful Socialist transformation of the city's industrial and commercial enterprises into joint State-private ownership. The capitalist couriers were all congratulated by the Party panjandrums as they came to report.

MALAYA'S RUBBER PROBLEMS

Malaya is today rolling up its sleeves to meet the challenge of synthetic rubber. Planters, both estate managers and the Malay smallholder with his five-acre patch, realise that this country must produce more rubber and must produce it at a competitive price with rival synthetic. There is confidence that this can be done with high-yielding replanted rubber and many veteran planters foresee the day when natural rubber undercuts synthetic and still makes a fair profit.

The newly elected Alliance Government is today considering a scheme whereby vast areas of virgin land are planted with new rubber and when this reaches maturity to invite smallholders to transfer their homes to this new land which will be divided into sections, for which they will be granted land titles.

On the face of it, this is a logical answer to the difficulties facing smallholders. Many of them are afraid to

cut down their old rubber trees and replant with new trees and then wait seven years until these reach maturity and become money-making. The smallholders are granted subsidies to help them over this seven-year gap, but even so the majority fight shy of taking the risk.

The big estates are replanting every year but are in a different position insofar as they can replant section by section without greatly harming their annual production. Today the Government is worried about the head start they have already got on smallholders and feel that both should progress hand in hand.

It is not often realised outside Malaya that about 40 percent of this country's natural rubber industry is dependent on the smallholder; the little man who lives on five or 10 acres of land and, with the help of his sons and daughters, taps the trees which have been handed down from his father.

Should the Alliance Government's new planting scheme materialise it would mean a big-scale lifting of whole families from one district to another. However, little opposition is likely for any businessman, and the Malay smallholder is a businessman, realises that a high-yielding rubber tree produces three times as much rubber as an old, tired tree which has been milked of its white liquid rubber for the last 40 years. Overnight, the smallholders' income would treble, the country would gain on the export tax of rubber, and Malaya would be feeding the rubber-hungry world with more of the commodity for which it is forever crying out.

Last year (1955) Malaya produced just over 600,000 tons of natural rubber and it is estimated that by 1965 it will be producing 1,000,000 tons. But this is nowhere near the demand, for by then, manufacturers forecast the world will be using rubber, synthetic and natural, at the rate of 4,000,000 tons a year.

In some circles a few years ago there was a fear that the natural rubber industry might over-produce; might find itself with a surplus which it could not sell. This theory has been completely destroyed by statistics alone. In 1946, world consumption of rubber, both natural and synthetic, was 1,467,500 tons.

In 1954, only eight years later, it was 2,505,000 tons, an increase of more than 1,000,000 tons. Last year's production was about 2,880,000 tons, an increase of 375,000 tons in twelve months. There is little doubt that the estimated world consumption for 1965 might well be close to the 4,000,000 tons mark prophesied.

Almost monthly new uses are being found for rubber. Ideas which were mere pipe dreams five years ago are now accepted and in every day use. Undoubtedly at this very moment dozens of new experiments are being conducted and they too, in time, will provide more markets for the product which Malaya's very livelihood depends upon.

There is a strong feeling in Malaya, shared by many members of the Alliance Government, that this country should encourage both new planting and replanting at the same time. One school of thought favours the new planting

of 1,000,000 acres of rubber maintaining that even this would not cause a surplus.

They are also quick to point out that if this was done the Government would collect in the form of income tax and export tax an additional \$132 million (Malayan) a year.

Synthetic is here to stay for under no circumstances can natural rubber satisfy the world demands nowadays. More synthetic factories are being built in America and Europe and in the not-too-distant future they will almost certainly be built in the Middle and Far East.

What the producers of natural rubber must never lose sight of is that it only takes about two years for a synthetic rubber plant to be built and in production whereas it takes seven years from the time when a rubber tree is planted to the time when it starts producing.

That is why the sooner Malaya completes its replanting programmes and new planting programmes the sooner it begins to "cash in" on the even brighter future that lies ahead for the rubber industry.

A rubber mission which some months ago visited Malaya to report on the future of the natural rubber industry in view of synthetic competition left with the warning: "Re-plant or Die". That warning minced no words and it was aimed principally at the smallholders with their 40 year old trees.

Fortunately the rubber industry in Malaya is not short of money. It has over \$200 million ready for replanting or new planting, much of which has been saved by the industry itself from cesses levelled during the days of prosperity and from an anti-inflationary cess.

The Alliance Government is as anxious as anyone that this should be ploughed back into higher-yielding trees as early as possible. It is imperative for the whole economy of the country that Malaya should not lag behind.

Rubber has given to Malaya a standard of living which is the highest in South East Asia and in the Malaya of tomorrow it promises to give an even higher standard. The Alliance Government is determined that nothing shall impede that progress.

THE SECOND FIVE-YEAR PLAN OF INDIA—1956 TO 1961

By A. E. Thomas

The First Five Year Plan of India was formulated against the background of shortages of food and agricultural raw materials, a transport system that was inadequate and an industrial sphere which needed considerable expansion. In the First Plan food production was given priority in order to put a stop to the importation of food from abroad which used to drain India's foreign exchange reserves. Gigantic river valley projects were planned, dams were constructed at enormous costs and both water and power were made available for agriculture and industry. Over an year ahead of schedule, India became self sufficient in food and she was in a position to export a small surplus. This was indeed a great achievement for a nation that used to be on the brink of famine sometime or the other in every year during earlier years.

In the First Plan out of 22000 million rupees allotted for the implementation of schemes a sum of only 3270 million rupees was set apart for the industrial sector and merely Rs. 940 million was allocated for the state owned public enterprises.

But in the Second Plan greater emphasis is made for the industrialisation of the country, particularly heavy industries. The total estimated expenditure for the Second Five Year Plan is well over 65000 million rupees out of which a sum of 43000 million rupees is for development projects in the public sector and the rest 22000 million rupees for the private sector. Although according to the American Standards the amount is not very big, yet for a country like India it is a great amount and it will work out wonders in the development programmes of the nation.

During the First Plan cotton textile industry made great strides and production exceeded the target set forth at least a year before the scheduled time. With a view to renovating the existing cotton textile and jute mills and modernising the other established industries of this kind a sum of 4500 million rupees is set apart.

Iron and steel industry and various mining industries have been given special consideration and vast amounts have been earmarked for their development. The Planning Commission, after careful studies, has made recommendations

MASS COMMUNICATION MEDIA IN JAPAN

The spread of mass communications media has been progressing steadily in Japan and the Japanese today rank favorably with people of other nations in their access to information. Daily newspapers boast a circulation of more than 34,000,000; radio sets total 12,790,000; movie-goers number 830,000,000 annually; and book and magazine sales amount to 100,460,000 and 272,000,000, respectively. These statistics were revealed in surveys conducted recently by NHK (Japan Broadcasting Corporation) and other organizations on the subject of the level of popularization in Japan of the radio, television, newspapers, magazines, books and motion pictures. Results of the various surveys were then compared with the available statistics of other countries.

Radio sets in Japan numbered 12,790,000, as of August, 1955. This means that 78 per cent of all the households in Japan own radio sets. Forty-six NHK stations and 53 stations of 41 private radio companies are in operation.

The number of television receiving sets in use totaled 82,724, as of August, 1955. Only 0.5 per cent of the na-

tion's households are in possession of TV sets. A total of five television stations—three NHK stations and two private stations—are operating at present.

The combined circulation of daily newspapers was 34,010,000 as of January, 1955. This comes to 2.05 newspapers per household. Approximately one-third of the total circulation, or 11,000,000, are published by the three leading newspapers—the Asahi, Mainichi and Yomiuri. The number of companies publishing daily newspapers is 96.

Movie-goers average 830,000,000 a year, which amounts to 9.8 motion pictures a year for each person in the country. Movie theatres throughout the country number 4,682 and in 1953, 370 Japanese and 204 foreign motion pictures were shown.

Sold annually are 100,460,000 books, which is equivalent to about 1.3 books a year for each individual in Japan. On the average 19,837 new books are published per year and their combined output totals 138,000,000 volumes. A total of 272,000,000 issues of magazines are sold annually, which comes to three magazines per year for every Japanese. The number of magazines issued averages 1,343 a year and they publish 340,000,000 issues.

The popularization of the radio in Japan compares favorably with that of other nations. The national rate of popularization, that is, the percentage of households with radio sets out of total households, as of December 31, 1954, was 73.3 per cent (on the basis of a national average of 100 per cent). By August, 1955, this percentage rose to 78 per cent. A similar survey taken at the end of 1954 covering 16 countries ranks Japan 10th in the group of nations with the rates higher than 70 per cent. The nine countries which precede Japan are the United States with 269.99 per cent and the Netherlands with 95.35 per cent, as well as the United Kingdom, Norway, Sweden, Finland, Luxembourg, West Germany and Austria. Domestically, the highest rate is found in Kanagawa Prefecture with 90.7 per cent and the lowest in Kagoshima Prefecture with 48.4 per cent. Nineteen prefectures stand above and 27 prefectures below the national average of 73.7 per cent.

According to the 1954 United Nations Year Book, the circulation of daily newspapers in Japan per 1000 persons out of the entire population is 353. This rate is quite high in comparison with other countries. The U.N. Year Book also reveals that the United Kingdom ranks first in the world with 615. Other countries, whose rate exceeds 300 are Sweden (490), Ireland (439), Austria (416), Norway (396), Belgium (383), Denmark (381) and the United States (346). Japan ranks eighth between Denmark and the U.S. A domestic survey as of October, 1954 shows that one household takes an average of 2.06 copies (morning and evening papers combined) daily. Tokyo has the highest rate of 3.70 while Miyazaki Prefecture has the lowest rate of 0.75. Of the 46 prefectures in Japan, 10 are above and 36 below the national average.

According to world statistics taken in 1953, the average number of spectators per movie theater was 2,096 persons in the case of Japan (where movie theaters total 4,079). Japan thus ranks 24th in the 28 countries covered by the survey. Puerto Rico tops the list, followed by Sweden and New Zealand. The United States, which leads the world in the production of films, ranks 14th in the statistics cited above. Japan and India, which are second and third in the world, respectively, in the number of films they produce, rank 24th and 27th. This fact seems to indicate that there is a relative connection between the number of motion pictures produced and the number of theaters.

regarding the various industries to which immediate attention should be given. The Commission has specifically mentioned about 67 industries ranging from iron and steel to fertilisers and dyestuff.

In order to finance the gigantic schemes of the Second Five Year Plan two corporations have been created, the Industrial Credit and Investment Corporation and the National Industrial Corporation.

The introduction of National Extension Service and Community Projects during the First Plan turned out to be a great success in view of the spontaneous support it received from the people. Community projects worked out wonders and the government wisely decided to extend community projects to more and more areas. While giant irrigation projects costing billions of rupees were undertaken by the central government, in community projects reservoirs were created out of even seasonal streams to irrigate the parched lands. One significant factor which paved to the success of these plans was the availability of plentiful supply of manpower.

The Government of India is very much concerned about the problem of under-employment in villages and unemployment in urban areas. Careful study was given to this great problem by the authors of the Second Five Year Plan. Although they are sceptical about the possibility of completely eradicating this evil from India for some more time to come, they anticipate that, slowly but steadily, in the course of the implementation of two or three successive Five Year Plans, this problem will be fully solved. Again on the social side, great emphasis has been made regarding family planning, adult education, health programmes and better housing.

At the Avadi Session of the Indian National Congress in January last year Mr. Nehru, the Prime Minister, declared the policy of the Government to build up India on a socialistic pattern and that the goal was to raise the standard of living of the people, eradicate illiteracy, fight out tropical diseases and others which used to account for the high rate of mortality every year, and to make India a happy place for every one to live in.

It is hoped that with the implementation of the Second Five Year Plan, the national income will rise by 5% every year. In 1961, it is anticipated that the Republic will be able to launch a still bigger and more promising plan to make India a really prosperous and wealthy country.

THE JAPANESE DEFENSE FORCES

The Japanese Self-Defense Forces number 195,810 strong at present and there are plans afoot which call for the further expansion of the embryo armed forces. Despite budgetary difficulties, the present defense structure marks a considerable progress over the "police" force established in July, 1950—immediately following the outbreak of hostilities in Korea and the dispatch of Japan-based U.S. troops. The armed forces today are under the Defense Agency, headed by a State Minister. Proposals have been made to raise the board to a ministerial rank. Current budget for the Self-Defense Forces is Y86,801 million (approximately \$241,100,000).

On July 18, 1950 SCAP (Supreme Commander for Allied Powers) instructed the Japanese Government to take measures to maintain order within the country. Accordingly, a Police Reserve Force comprising 75,000 men—the forerunner of the present Self-Defense Force—was organized on August 10 of the same year. In view of the internal and external situation surrounding Japan at that time, the Police Reserve was established in order to "maintain peace and order in our country and supplement the powers of the National Rural Police and local autonomous police forces within the limits necessary to guarantee the welfare of the public." On May 28, 1952 the Police Reserve was increased from 75,000 to 110,000 men and in the same year, the Maritime Safety Force was formed. On August 1 the Police Reserve and the Maritime Safety Forces were placed within the National Safety Agency which was newly formed. The former became known as the National Safety Force. Both the land and sea forces were given the duty of "maintaining peace and order in our country and acting whenever necessary to protect lives and property." Everything possible was done to perfect their structure and equipment.

In time, however, in accordance with the prevailing internal and external situation, it was decided to organize an independent defense establishment with an effective force whose duty would be to defend Japan against direct aggression. On July 1, 1954 the "National Safety Force" and the "Maritime Safety Force" were transformed into the Ground Self-Defense Force and the Maritime Self-Defense Force, respectively. In addition, the Air Self-Defense Force was created. A Defense Agency was thus established to exercise control over these three forces.

It is only a little over one year since the Defense Agency came into being. During that time, however, the Self-Defense Forces have been steadily built up into a well-knit integrated organization. The strength of the three defense forces numbers 179,769 officers and men. With 16,041 other staff members, the total comes to 195,810. The current budget amounts to Y86,801,000,000 (approximately \$241,100,000). The purpose of the Defense Agency has been set forth as to "defend the peace and independence of our country and to preserve its security." And to achieve these ends, it shall be its duty to "supervise and operate the respective self-defense forces of land, sea and air."

The principal duty of the Self-Defense Forces is to defend Japan from direct and indirect aggression in order to protect the nation's peace and independence and to preserve the security of the State. If necessary, they will also engage in maintaining public order. By indirect aggression is meant a large-scale internal riot and disturbance created by the instructions or intervention of an outside country.

The maintenance of public order includes: (1) The dispatch, if necessary, of self-defense forces to supplement police power for the purpose of maintaining public peace

and order. (2) The dispatch of self-defense forces, if necessary, in cases of natural calamities. (3) Action to protect lives and property on the sea and, whenever necessary, to maintain peace. (4) Necessary action to cope with the illegal invasion of foreign aircraft over the territorial skies of Japan. (5) The removal and disposal of mines and other dangerous explosives.

During ordinary times, the Self-Defense Force will engage in preparatory training to carry out the afore-mentioned duties. It may also engage in construction work for the State or for local public agencies.

A State Minister heads the Defense Agency as its Director. Aside from the five bureaus within the Defense Agency itself, there are the Joint Chiefs of Staff, and the land, sea and air commands. In addition, there are attached agencies and the defense forces. Among the attached agencies are the Defense Staff College, Defense Academy, Technical Research Institute, the Construction Office and the Procurement Office.

The full strength of the three forces totals 195,810, the breakdown of which is as follows:—

		(September, 1955)	
		Authorized	Strength
Bureau	Name		295
Ground Self-Defense Force	Officers & Men	150,000	
	Other Staff Members	11,659	
	Officers & Men	18,391	
Maritime Self-Defense Force	Other Staff Members	997	
	Officers & Men	10,346	
	Other Staff Members	1,159	
Air Self-Defense Force	Officers & Men	32	
	Other Staff Members	13	
	Other Staff Members	35	
Joint Defense Council Secretariat		362	
		376	
		747	
Defense Staff College		399	
Technical Research Institute			
Construction Office			
Procurement Office			
Total		195,810	

The Ground Self-Defense Force is presently made up of six district corps. The standard strength of each corps is 12,700. Two mixed corps of 6,000 men each will also be formed soon.

The Maritime Self-Defense Force is composed of five area corps. It possesses 162 warships and 180 other miscellaneous vessels for a total of 342 ships with a tonnage of approximately 71,600 tons. It has 49 aircraft of all types. The Force plans to construct a total of 38 new vessels, including warships, amounting to approximately 20,500 tons.

The Air Self-Defense Force since its inception in July last year has stressed training and has only one air wing at present. At the end of September, the air force possessed 235 aircraft, mostly trainers.

Jet aircraft is to be produced domestically in cooperation with the United States. Japan will receive technical assistance from the United States and start either assembling or manufacturing jet planes by the end of June, 1957.

Defense expenditures in 1955 will total Y86,801,000,000 (approximately \$241,100,000). This represents an increase of Y12,516,000,000 (approximately \$206,400,000). The following is a breakdown of the figures: Ground Self-Defense Force: Y53,247,000,000 (approx. \$147,900,000), an increase of Y7,310,000,000 (approx. \$20,300,000). Maritime Self-Defense Force: Y19,012,000,000 (approx. \$52,810,000), a decrease of Y1,033,000,000 from the previous year. Air Self-Defense Force: Y11,817,000,000 (approx. \$32,830,000), an increase of Y5,230,000,000 (approx. \$14,530,000). Bureaus and Attached Agencies: Y2,723,000,000 (approx. \$7,560,000), an increase of Y1,007,000,000 (approx. \$2,800,000).

ECONOMIC REVIEW OF CHINA

AGRICULTURE

Doubling the Pace of Rural Revolution: During the latter half of September there were numerous reports of plans for the formation of new agricultural producers' co-operatives in China. They ranged from Liaoning in the north east where by next spring the existing 30,000 co-operatives were to have acquired an average of 15 new members each and a further 10,000 to 20,000 co-operatives were to be formed so that 60 per cent of all peasant households would be organized, to Kwangtung where only 27 per cent of all households were to be organized. Long term plans published at the same time followed a similar pattern of more comprehensive organization in the north east and north than in the south; by 1958 all the peasants in Liaoning will be in co-operatives, 80 per cent in Hopei but only about 60 per cent in Hunan and Kwangtung.

The reason for this feverish activity became clear when on 17th October the New China News Agency published the text of a speech delivered three months earlier by Mao Tse-tung himself, in which he had suggested a drastic speeding up of the formation of agricultural co-operatives, and a resolution passed in October by a plenary session of the Communist Party's central committee giving formal sanction to Mao's suggestions. Against the plan adopted this summer by the National People's Congress for the formation of 1 million co-operatives covering a quarter of all peasant households by autumn 1956, the party has set a target of 1.3 million, that is double the number which had been formed by last summer. By the end of 1957, one half of China's peasant households are to be members, against the one-third accepted by the National People's Congress.

The Reason Why: This decision—to speed up the process of organizing the peasantry—represents the outcome of a struggle within the Chinese Communist Party between those who are determined to progress towards socialism at all costs and those 'right wing deviationists' who either fear to provoke peasant hostility or are antipathetic to the whole idea of organized agriculture. The next nine months may in consequence see a purge of the Party which must prepare to present a united front in the second half of 1956 when it is to hold its first national congress since 1945; Mao's speech made it abundantly clear that the opposition within the party to the rapid formation of co-operatives has been very bitter. The chief reason given for the change in pace is that it is the only means of securing the planned increase in agricultural production. Mao emphasized the point that over 80 per cent of all the co-operatives already established, the majority only since 1954, have increased their output. A less openly admitted reason is that only through the co-operatives can the Party consolidate its hold on the rural areas and secure possession of the agricultural surplus required for industry; the individual peasant can more easily evade the state's demand for grain. Finally, only through the co-operatives is it possible to make available to the farmers technical assistance and new farm implements of the kind they intend to make available. Most local fac-

ories still produce handtools suitable for individual peasant farmers but some are beginning to produce machinery which the individual peasant cannot use. The state expected to sell 400,000 double and single-bladed ploughs in 1955 but up to the end of June it had sold only 82,700. The new co-operatives are to get special financial assistance to enable them to purchase ploughs and draught animals which individuals can neither afford nor use on the limited land at their disposal.

Favourable Conditions for Change: The decision to create 650,000 co-operatives within twelve months has naturally aroused expectations outside China that the Communists will run into difficulties, arousing even fiercer hostility than they did by enforcing the planned distribution and supply of grain'. But although there may, almost certainly will, be local trouble there is no reason to suppose that there will be widespread opposition sufficient to force on the Party a change in their plans. The leaders still insist that rural cadres must persuade and educate the peasants into co-operatives, a system which has worked surprisingly well in the past. Besides, conditions in the countryside are now more favourable than at any time over the past three years. China has escaped the disastrous drought and floods of 1953 and 1954, agricultural output has consequently increased and as a result of the reorganization of the system of food distribution, the country will be allowed to consume the surplus instead of handing it over for consumption in the towns or for export.

Agricultural Production Plans Fulfilled: Cautiously at first, and later boldly, the authorities have claimed that the planned increase of 10 million tons of grain has been achieved, or nearly so, while the cotton plan for an additional 200,000 tons has been overfulfilled, thanks largely to the fact that the cotton acreage exceeded the plan by nearly 100,000 hectares.

Gross Agricultural Production in China*
(in million metric tons)

	1952	1953	1954	1955	1957 (plan)
Grain	163.9	165.0	169.5	180	192.8
of which: rice (paddy)	69.3	71.3	70.1	75.0	81.8
wheat	18.1	18.1	23.2	—	23.7
soya beans .	9.5	10.1	9.2	—	11.2
Cotton	1.30	1.17	1.05	1.35	1.64

* Figures for 1952 and 1957 were given in various reports on the Five Year Plan. Grain and cotton figures for other years are the latest quoted by official Chinese sources; the 1955 grain figure may in the end prove to be up to 3 million tons lower. Rice, wheat and soya bean production is calculated on the basis of indices published by the State Statistical Bureau. Rice output is reported to have risen by about 5 million tons this year.

Since no mention has been made of increases in wheat production this year, it may have fallen. A good deal of wheat bearing land may have been diverted to cotton. The soya bean crop may have been adversely affected by drought in Manchuria. The greater part of the rise in grain output, other than rice, is probably due to other crops, notably maize and potatoes which are also classified as grain. With regard to industrial crops other than cotton it has simply been stated that output has risen. The extent of the oil-seeds harvest can hardly be known yet but there are provincial reports of large increases in tobacco and jute production. Whatever the final figures may prove to be, China has clearly enjoyed its best year for agriculture yet.

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A Sop to the Peasants: Urban Rationing: The revision of rural purchasing and sale of grain was completed during the summer. Thereafter attention was switched to the towns where rationing was to be fully enforced by November 1st, not only for grain as such but for noodles, rice flour and similar processed foodstuffs, and for meals in restaurants. The ration in the cities varies according to the type of work done from 55 catties (27.5 kg.) of wheat flour a month or its equivalent for those doing exceptionally heavy physical labour to 27.5 catties (13.75 kg.) for ordinary residents. Grain sales in urban areas are reported to have dropped steadily since the reorganisation of the grain supply system in the early summer. During the 1955/6 crop year the State intends to purchase 43.25 million tons of 'commercial' grain to feed the towns, deficit rural areas and for export. In 1954/5 it purchased more—44.65 million tons—out of a smaller total supply, put at 146 million tons of commercial grain.

INDUSTRY AND CONSTRUCTION

Industrial Output Rises: In a recent speech in Peking Li Fu-chun, Chairman of the State Planning Commission, gave indices for the estimated output of major industrial products in 1955. According to his figures, production of iron, crude steel, rolled steel and crude oil has doubled or nearly so in three years while output of electricity has risen by three quarters and of coal by nearly half. His estimates and others for earlier years indicate a remarkably rapid and, on the whole, steady increase in the total volume of production since 1952.

Estimates of Gross Industrial Production in China*

	1952	1953	1954	1955	1957 (target)
Coal: m. tons	63.5	69.2	83.1	92.8	113
Electricity: m. kwh. ..	7,250	9,148	10,977	12,550	15,900
Pig iron: '000 tons ..	1,906	2,260	3,075	3,686	—
Steel: '000 tons ..	1,359	1,769	2,211	2,687	4,120
Rollled steel: index ...	100	134	157	213	—
Crude oil: index	100	144	183	202	—

* Absolute figures for 1952 are taken from the Report on the Five Year Plan, save in the case of pig iron where output in 1952 is calculated on the basis of figures quoted by Chou En-lai in 1954. Figures for 1953 and 1954 are calculated from indices in the Annual Report of the State Statistical Bureau, which tend to give a slightly more favourable picture than indices quoted by other sources, for example those which were used in Economic Review of China No. 11 to calculate production in 1954.

But Plans Not Fulfilled: The authorities, while applauding the overfulfilment of the 1955 plan in terms of value during the first nine months of the year, had many criticisms to make. For one thing, the target for the volume of output has not been fulfilled for several key products. In the first six months of the year production plans for electricity, coal, crude oil and seven other major products were not fulfilled; there was a marked improvement in the third quarter but it seems probable that, though output has risen, crude oil and steel are still lagging behind plan. However, the very substantial increases achieved, at least for electricity, coal and oil are more important than the shortfalls from the ambitious plan. More serious is the failure to produce goods of the required quality and to manufacture new products. The machine-building industry is the most serious offender; its trial production plan was fulfilled by only 75 per cent between January and June and in 1954 it wasted 20 million yuan (over \$8 million) in producing poor quality products. The problem of improving the quality of industrial output is likely to become more intractable, not less, in the near future. The only answer that the Communists can find are better political and administrative leadership in industry and more labour emulation. China simply cannot do more than it is already doing to improve the technical standard of industry by education.

Basic Construction Seriously Behind Schedule: Technical shortcomings in basic construction work are still more serious and labour discipline is poor. There has been a stream of reports of bad designing work, stockpiling of materials, and labour slackness. The result, according to the Peking People's Daily, is that by the end of August, less than 50 per cent of the actual construction to be undertaken in 1955 had been completed. Here again the machine-building industry is the worst offender with the coal industry a close second. Major coal projects have not been started on schedule and others progress 'at a snail's pace'.

Speeding Up the Plan: In spite of all this, the Communists are confident of their ability to speed up the execution of the plan. They will need to do so if they are to complete it by the end of 1957 since 48 per cent of the volume of work involved remains to be completed during the next two years. Their confidence is based primarily on the increase in agricultural output achieved this year which promises to permit more active development and has encouraged the fixing of higher industrial production targets for 1956 than would otherwise have been contemplated. The economy drive of last summer has had such good results that some projects which had been delayed for want of funds can be taken in hand earlier than was originally expected. No precise information on revised targets has been published save for coal where output is to be over 120 million tons in 1957 against the earlier figure of 113 million tons, and for the railways where 5,800 km. of new lines are to be laid against the original 4,000 km. The former increase has probably been forced on the industry by the still serious shortage of coal; the latter may have been made possible by the success of the railway economy campaign which will yield an estimated 250 million yuan (over \$100 million) this year.

Projects Under Construction: Projects completed or launched during the last three months included an unusually large number relating to the coal industry, those recently started no doubt being the industry's response to the severe criticism it has suffered lately. The first shaft mine designed with Soviet assistance went into production in September in the Hokang coalfield in Manchuria and a month later a coalpit at Fengfeng in Hopei, abandoned seventeen years ago, went back into production. In the same months construction of Soviet-designed vertical shafts in Honan, of a large mine in the Tatung coalfield and two others, one in Szechwan and the second near Sian in addition to numerous smaller mines, was begun. New projects for the machine-building industry include China's first tractor plant, of which the foundation stone was laid in September, and the reconstruction of the Mukden heavy machinery plant; machinery is being installed in twelve new or reconstructed plants in the north east including a transformer factory, an electric wire and cable factory and a machine tool plant in Mukden, the Harbin electrical instruments plant and the Shanghai boiler factory. There are also reports of new projects being undertaken in the power and steel industries, including preparatory work for the Paotow and Wuhan steel plants.

More Plans Published for Several Industries

I Textiles: Additional information is now available about the development of textiles and light industry in the plan. China should have 7.31 million cotton spindles by 1957 against about 5.66 million in 1952; yarn output should increase from about 3.6 million bales to 5 million bales, cotton cloth output from 111.6 million bolts to 163.7 million excluding handmade yarn and cloth. Of the 39 large cotton textile mills which were to be built during the plan period, many are already in production. Another new cotton mill in Shichiachuang, the 2nd State cotton mill in Peking, both

with 95,000 spindles and 2,400 looms, and the No. 3 State mill in Chengchow with 100,000 spindles and 2,500 looms went into production during the past three months. Work has now started on a 3rd mill in Peking and the 5th State cotton mill to be built in the north-west since 1949. Work has also begun on a new joint state private cotton mill in Hofei with 50,000 spindles and 1,700 looms; half the capital is being provided by the Sung Sing and Wing On mills in Shanghai which, together with all the other remaining large private textile enterprises, there, were recently converted into joint enterprises. No absolute figures have been published with regard to other branches of the textile industry; it has merely been stated that output of woollen fabrics is to be doubled by 1957 as compared with 1952 while output of silk fabrics should rise by more than 75 per cent.

II Pharmaceuticals: It appears that only 4 large pharmaceutical plants will be built, two of them with Russian assistance. (This is the first mention of Soviet aid to light industry). Great emphasis is laid on increasing the output of antibiotics and sulpha drugs. By 1957 output of penicillin should reach 29 million phials of 300,000 units each, of chloromycetin 6,000 kg., and of sulpha drugs 844,000 kg. The total output of the pharmaceutical industry, which probably includes traditional Chinese drugs and herbal medicines, is to be six times as large in 1957 as in 1952.

III Food Processing: 34 food processing enterprises are being built under the present plan, all but three* to be complete by 1957. They include 18 sugar refineries, 9 meat packing plants, 1 oil mill, 3 salt refineries, a fruit juice distillery and a flour mill. Several of the sugar refineries have already gone into production and more are actually being built, some of them with East European assistance. Four meat packing plants are at present under construction, at Chengchow, Changsha, and Pengpu in China proper to process pigs and the fourth in Inner Mongolia to dress sheep and cattle. The greater part of their output will probably be exported, largely to the Soviet bloc. Output of most processed foodstuffs will increase rapidly between 1952 and 1957.

Production of Processed Foodstuffs (in '000 tons)				
	1952	1957 (plan)		1952 1957 (plan)
Flour*	2,993	4,670	Sugar†	451 1,100
Fish and meat products	346	921	of which factories	249 686
Veg. oil†	983	1,794	Salt	4,957 7,554
			Cigarettes‡	2,655 4,700

* Excl. cottage industries. † Incl. cottage industries. ‡ In '000 cases.

The Yellow River Project

Besides these details of the Five Year Plan itself, a plan has been published for the Yellow River. The ultimate benefits are enormous—23 million kw. of hydro-electric power, an additional 6.6 million hectares of land irrigated and navigation made possible from the mouth to beyond Lanchow—but they will not be fully effective for at least 50 years. However, even the first phase of the plan which will be completed by 1967 will bring substantial benefits. It covers the construction of two major dams at Sanmen where the Wei joins the Yellow River—this is to be completed in 1961—and at Liukia, west of Lanchow, 10 smaller silt retaining dams, 3 irrigation dams and possibly several others. Extensive soil conservation work will be undertaken, 2 million kw. of hydroelectric power will be made available, 2 million hectares of land will be irrigated and the danger of flooding in the lower reaches should be permanently averted. The cost is estimated at 5.3 billion yuan (\$2.2 billion) of which the Sanmen dam and associated hydro-electric plant will take 1,220 million yuan (\$496 million), the Liukia dam and plant 416 million yuan (\$169 million)

and electric transmission equipment 500 million yuan (\$203 million). The whole project has been designed with Russian assistance and this is to continue but no mention of Soviet financial aid has been made though all the required equipment will have to come from Russia.

FOREIGN TRADE

Trade with the Free World: January to June 1955:

The trade statistics of China's most important non-Communist trading partners for the first half of 1955 suggest that while China's exports have increased sharply, its imports from the free world have hardly altered in value, as compared with imports in the same period of 1954; larger sales of manufactures from Western Europe were offset by lower sales of raw materials from elsewhere.

China's Trade with Non-Communist Countries: Jan.-June* (in million US\$)

	Exports to China		Imports from China	
	1954	1955	1954	1955
Hongkong, Japan & W. Europe	75.7	93.0	124.0	183.8
of which: minor European partners	22.9	28.6	27.1	33.5
S.E. Asia and Egypt	54.1	32.9	36.0	35.6
Total above	129.8	125.9	160.0	219.4

* Figures for some countries are incomplete and in some cases probably include a little Formosan trade.

Of the four major partners—Hongkong, Japan, West Germany and the United Kingdom—all save the first increased their sales to China. Among minor European partners—Switzerland, Belgium, the Netherlands, Sweden, Austria, Finland, Italy and France (including French Morocco), all save the last two increased their sales. Australian exports, which are also included in this group, rose from \$1.7 million to \$3.9 million.

Lower Italian and French Exports: The drop in Italian exports from \$3.6 million to \$3.2 million was due to much lower shipments of drugs and to the absence of sales of copper and alloys which were an important item in 1954; this absence more than offset a big increase in export of chemical fertilizers. France by contrast sold very much less fertilizer. French exports of a large number of minor items also declined so that total exports including possibly some to Formosa were \$3.3 million against 1954's \$5.4 million. The decline in Italian trade is likely to be only temporary; Italian businessmen are increasingly desirous of expanding trade with China and since Italy is in a position to supply many of the goods which China urgently requires, notably chemicals, fertilizers and rayon, it should be possible to achieve an increase, provided that the Italians can compete with the Japanese, and to a lesser extent with British and German suppliers of similar goods. In response to pressure from business circles, the Italian government have invited the Chinese to hold 'preliminary talks' on the expansion of Sino-Italian trade and the Chinese government have accepted the invitation. Discussions are expected to be held shortly.

Fluctuating Trade with S.E. Asia: Imports from China into nearly all European countries and into several South East Asian countries have risen sharply. A drop in Ceylonese imports from \$17.6 million to \$9.6 million, due to smaller rice shipments at lower prices, was offset by a substantial increase in Indonesian imports, from \$1.7 million to \$5.6 million and also by larger purchases on the part of Malaya and India. Higher exports from these three countries, however, were not sufficient to offset a much greater drop in rubber exports from Ceylon and cotton exports from Pakistan and Egypt. This decline again is purely temporary, at least so far as Ceylon and Egypt are concerned.

Slackening Off in Third Quarter: Complete figures for the third quarter of this year are only available for the four main non-communist trading partners. The rise in imports from China has continued, most notably in the case of Hongkong and Japan, but exports to China were at a slightly lower level than in the first half of the year and the corresponding quarter of 1954.

China's Trade with Major Non-Communist Partners
(in million US\$)

	Exports to China				Imports from China	
	Jan.-Sept. 1954	1955	July-Sept. 1954	1955	Jan.-Sept. 1954	1955
Hongkong	49.2	26.3	17.3	8.9	83.3	110.0
Japan	11.0	20.0	6.3	5.4	30.0	57.0
United Kingdom ..	13.4	17.1	5.4	5.3	19.3	24.9
Western Germany ..	14.6	22.6	6.6	6.0	25.5	84.1
Total above	88.2	86.0	35.6	25.6	158.1	226.0

There is no reason to suppose that Hongkong's exports will recover. More and more, China is importing direct from its suppliers. But it intends to increase its sales in Hongkong to earn sorely needed sterling for purchases to be made elsewhere. The outlook for the other major partners, indeed for all its trading partners, is rather brighter. With increasing production, China should have more to sell, particularly in the way of light industrial products, and its demand for materials for industry and agriculture will grow. It has, for example, recently placed orders in Yorkshire for 2.5 mn. lb. of wools to a value of nearly £1 million and is in a fair way to becoming Britain's most important customer in this line. So far as European countries are concerned, however, trade can only be expected to grow slowly since Europe will have to meet increasing Japanese competition in the supply of manufactured goods and since China is committed to heavy, and expensive, imports of raw materials from non-European countries which to a great extent will have to be financed out of its surplus on trade with Europe, Hongkong and Malaya.

New Deals with Japan: Japan has not only increased its trade with China to a remarkable degree but has made arrangements for further expansion in the near future. In September the President of the Keimei trading company acting on behalf of the Yawata, Fuji, and Nihon steel companies signed a contract for the exchange of 400,000 tons of Kailan coal against Japanese iron and steel products. China is to deliver 150,000 tons by March and the balance by September 1956; it is charging \$11.56 per ton c.i.f., appreciably less than the American price of \$16 per ton c.i.f. for coking coal. Japan has already secured COCOM permission for the export of 5,000 tons of galvanized steel sheets against the first 150,000 tons and will seek permission to ship tinplate and other iron and steel goods against subsequent shipments. The relaxation of COCOM rules in Japan's favour has led to severe criticism by some of its competitors, particularly Britain.

In October a Japanese businessmen's mission signed two trade agreements with the Chinese National Import and Export Corporation; the first covered Japanese exports valued at £9.25 million and imports at just over £3 million and was designed to wipe out the very large Japanese deficit on trade with China, and the second covered barter trade in non-strategic commodities to the value of £1 million each way. It is believed that contracts have been signed under these agreements for the export from Japan of nearly 1 million lb. of rayon yarn, chemical fertilizers including large quantities of ammonium sulphate, bicycles for which Chinese demand is very strong—it is reported to be contemplating the purchase of 240,000 Japanese bicycles by next July—91 10 cwt. three-wheeled trucks, and, subject to COCOM permission, for fishing boats, tugs, steel plates for ships' bottoms, copper wire, turbine parts, self-propelled cranes, diesel engine and motor car parts, and high-speed

steel bits. The Japanese government is under pressure to approach COCOM in order that these contracts may be fulfilled.

1956 Rubber for Rice Agreement with Ceylon: Another trade agreement signed in October is less satisfactory from the Chinese point of view. With rubber prices tending upwards and rice prices falling, it has had to submit to Ceylon's demands that it should purchase rubber at a price 5d. per lb. above world levels when rubber is 35d. per lb. or below at Singapore, the minimum to be 27d. per lb., and at 4d. to 3d. above world levels when rubber is above 35d., while China will only get the world price for the rice it sells Ceylon. Prices for each rice shipment will be separately negotiated. China will pay more and receive less in 1955 in terms of sterling and, moreover, since the agreement is retroactive to June 1 it has agreed to settle its outstanding debt to Ceylon, amounting to £4 million, in sterling before the end of 1955. In the present state of the world rubber and rice markets it is likely to find itself with an equally large debt to pay off at the end of 1956.

Chinese Steel for Egypt: The trade agreement with Egypt referred to in our last report was ratified and published in October. In return for £10 million worth of Egyptian cotton annually for the next three years, China has agreed to supply machine tools, construction machinery and steel, mining equipment, textile machinery, and complete plants for sugar refining, flour milling, weaving and papermaking besides the more usual Chinese exports such as foodstuffs including meat, tea and canned goods. Some of the capital goods which China is to send to Egypt will be re-exports from Eastern Europe, some of the goods have been written into the agreement in a spirit of bravado as a promise of what may eventually be expected but, to a surprising extent, China promises to meet its commitments under this agreement from domestic production. Egypt has already bought £2.19 million worth of Chinese iron rods for building and has contracted to buy 60,000 tons of construction steel valued at about £2.56 million. China is also offering India 25,000 of steel. It is certainly not in a position yet to become a regular supplier of capital goods; the explanation of these transactions probably lies in China's inability at the moment to absorb its own output of certain types of steel. As production develops, a 'bulge' in supplies of this kind is likely to occur more frequently and China may seek to dispose of its temporary surplus on world markets.

Exporting Manufactured Goods: The Chinese claim that their exports of manufactured goods are rising rapidly, and such information as is available confirms this report in respect of the sale of light industrial products in Asia. The increase in Hongkong's imports of certain Chinese manufactures is particularly striking, though the total is small as yet.

Hongkong: Import of Manufactures from China: Jan.-Aug.
(million HK\$)

	1954	1955
Textile yarns, fabrics, etc.	41.5	66.0
Paper and manufactures	9.8	20.9
Metal manufactures	0.5	6.0
Iron and steel	0.1	0.8
Machinery incl. electric	0.1	0.6
Total above	51.9	95.8

The bulk of China's exports of manufactured goods consists of light industrial products but it is exporting capital goods under aid agreements to North Korea and North Vietnam, as well as to Egypt. Last September it sent the Koreans, among other things, 52 goods wagons, 500 tons of steel plates, and 100 tons of iron plates.

There is nothing to report of China's trade with the Soviet bloc save that negotiations for trade and payments

INDUSTRIAL DEVELOPMENTS IN CHINA

HEAVY INDUSTRY

Prior to 1951, modern industry occupied a negligible part in China's economy, and it mainly consisted of light industry. The key engineering industry was pitifully small and practically incapable of turning out any kind of modern machinery. It was only in 1907 that China built an iron and steel works. Steel production at that time was some 8,500 tons. In the following three decades, annual steel output in China, not including the Northeast, was only about 40,000 tons. In the years 1931-45, the Japanese expanded the iron and steel industry in Northeast China, but they only provided Japan with pig iron and semi-manufactured goods, and were completely subordinate to the Japanese industrial system at home.

After the present government came to power, a great effort was made to set their heavy industry in order. According to a Peking report, in three years, China's heavy industry had not only succeeded in reaching the pre-war peak level but actually bettered it slightly:

	Output in 1952	
	Quantity	Improvement (Highest Previous record: 100)
Electricity	7,260 million K.W.H.	121.9
Coal	63,528,000 tons	102.7
Pig Iron	1,900,000 tons	105.5
Steel	1,349,000 tons	146.1
Metal-Cutting Machine Tools	13,700	254.8

In spite of the improvement, China's heavy industrial output is still extremely low when its huge population is taken into consideration. In 1952, production of pig iron was only about 6.6 lb. per head, and steel at just over 4.4 lb. In the first 5-year plan the emphasis is on the expansion of heavy industry. According to the plan, investment in capital construction to augment fixed assets will amount to 42,740 million yuan during the five-year period. Of this figure, 58.2 per cent is to go to the industrial establishments. Heavy industry takes 88.8 per cent of the investments in industrial capital construction. The first 5-year plan allocates a specially large proportion of investment to heavy industry—larger than that invested by the Soviet Union during her First Five-Year Plan (85.9 per cent). The reason for that is that China's heavy industry rests on even weaker foundations than did that of the Soviet Union.

Iron and Steel: During 1952-57, the greater part of available manpower and funds is devoted to the expansion of iron and steel industry. The iron and steel works in Anshan are being expanded. Two more iron and steel centres are being built in Wuhan and Paotow. Peking declared that China's output of iron and steel last year was twice as much as in 1952.

The non-ferrous metals industry is still a weak link in heavy industry. The first 5-year plan calls for a copper

agreements for 1956 with Eastern Europe began last October. This is, perhaps, another sign that China is dissatisfied with the performance of its East European trading partners; in previous years negotiations have not usually begun before December. There is equally little to report of the Sino-American discussions on trade and other subjects at Geneva which have been going on for months now.

output in 1957 70 per cent higher than in 1952; the output of lead and zinc will be more than trebled; that of tungsten concentrates and tin will be increased by 50 and 80 per cent respectively. China is now producing her own aluminium.

Power: During the five-year plan, China will build or rebuild 92 large power stations. When these projects are completed, generating capacity will rise by 4,060,000 kilowatts. The plan also provides for the creation of ten high-tension electricity grids to spread the load on the various power stations throughout the country. The output figure for 1954 was 11,000 million K.W.H., and 1955's figure was 73 per cent higher than in 1952.

Coal: Existing coal mines are being reconstructed or extended. New shafts are being sunk. Altogether 179 fairly large mines are being either sunk or overhauled. According to the plan, coal output in 1957 will be 112,985,000 tons. Last year it was 46 per cent higher than in 1952.

Oil: Within the five years, China plans to locate sources promising an estimated deposit of 55,180,000 tons suitable for extraction. Highly promising new oil-bearing structures have been discovered in the Yumen Basin in Kansu, in the Tsaidam Basin in Chinghai, and in parts of Sinkiang and Szechuan. Peking plans to build 13 oil industry projects in the five-year period, and productive capacity of crude oil is expected to increase by 1,520,000 tons. Last year's output of crude oil more than doubled that of 1952. By 1957 it will be 4.6 times as much.

Chemicals: The 5-year plan calls for development of the fertilizer industry and the building up of factories to manufacture acids, alkalis, rubber and dyes. Before 1958 China is to build 5 nitrogen fertilizer plants. New factories will also turn out plastics, cinematograph film, calcium carbide, soda and paint.

Engineering: The plan for the development of engineering is to give priority to the production of metallurgical, power-generating and mining equipment, vehicles, locomotives and rolling-stock, and agricultural machinery, while at the same time paying proper attention to the making of equipment for oil refining and the chemical industry, metal-cutting machine tools and electrical equipment. Factories will be built to turn out heavy machinery, mining and oil-mining machinery, and pneumatic tools. They will be ready to go into production not later than 1960 and will by then be able to turn out everything that is needed to equip an iron and steel works with an annual productivity of 1,600,000 tons of steel. They can also manufacture complete sets of coal-mining equipment and 10,500-foot drills.

As to the manufacturing of power-generating equipment, the plan calls for the building of factories to make boilers, steam turbines, electric generators, motors, meters and other instruments. When these projects are completed, China will, every year, produce power-generating equipment for power stations with a total capacity of 800,000 kilowatts. In the case of transport China plans to build two motor-car works, and to build or rebuild several locomotive and wagon works. When these are ready they will turn out 90,000 motor vehicles and 930 locomotives a year, plus a great number of passenger and goods wagons. As for agricultural machinery, the first tractor works will be finished in 1959. It will then start producing 15,000 tractors a year, capable of cultivating some 7,431,000 acres of land. Preparations are already being made for the building of a

second tractor works and a combine-harvester works. China will also make her own machinery for the oil refining and chemical industries. She will also build new factories to manufacture machine tools, ball bearings, tools, cutting tools and measuring instruments, and emery-wheels. Some of these plants have already been built, and the rest are under way. When they are all completed, China will produce 30,000 machine tools a year.

Output of China's engineering industry in 1954 was 1.9 times as high as in 1952 (in value). Nearly two thousand new items are now being produced. Today China is manufacturing more than 70 different machine tools of the latest types; complete thermo-electric power-generating equipment with a capacity of 6,000 kilowatts and hydro-electric power-generating equipment with a capacity of 10,000 kilowatts; mining equipment for prospecting, cutting, transporting, dressing, washing, crushing and hoisting; locomotives; fair-sized steam boats; and combine-harvesters.

Investments: Fulfilment of the five-year plan, with its accent on the development of heavy industry, necessarily demands long-term and heavy investment. The funds have to be raised inside the country. Waste and all kinds of unnecessary expenditure are being carefully avoided. The Chinese people are practising economy consciously and successfully because of their determination to rid their country of backwardness and to improve their standards of living. Peking admitted that China's achievements so far are inseparable from the assistance given by the Soviet Union. The 156 Russian-designed industrial projects form the core of industrial construction in the first five-year plan.

LIGHT INDUSTRY

Between 1953 and 1957 the value of production of capital goods is to rise by 126.5 per cent, and of consumer goods by 79.7 per cent. This latter figure indicates an average increase of 12.4 per cent per annum. That is to say, light industry will not grow as fast as heavy. Peking claims that in view of the upsurge in agricultural co-operation taking place throughout the countryside and the rich harvest of 1955, it is now expected that the output of light industry in 1956 will surpass the level set for this year under the plan. In the past five years the output of paper increased by 400 per cent. Production of cotton and woollen goods, bicycles, wines, spirits, etc. also increased and a portion of these are being exported. As a result, light industry is providing China with considerable funds for construction. Peking, however, admitted that China's light industry is still backward. The output is still relatively small. The output of cotton cloth in 1954 only averaged 23 feet per head. Technique is also backward. Small-scale and handicraft industry still plays a very big part in various branches of light industry, for instance, in the food industry—meat, aquatic products, grain, vegetables and fruits—and such consumer goods industries as porcelain, pottery and shoe-making.

In the period 1953-57 the equipment of certain light industries is being expanded. 39 textile mills of considerable size will be built. When all the new cotton mills are completed, productive capacity will be augmented by 1,890,000 spindles. 34 factories will also be built for the food industry, and about 20 for paper-making and other light industries. In order to utilize existing equipment more fully, steps are being taken to make the best use of the present and exploit new sources of raw materials. Efforts are being made to raise efficiency in the use of raw materials and cut wastage. State cotton mills in Shanghai have succeeded in cutting the amount of raw cotton used for each bale of yarn from 430.8 lb. in the last quarter of 1954 to 427 lb. in June last year. China is also finding substitutes for raw materials. For instance, the distilling industry has begun to use plants such as sweet potatoes, acorns, etc. as raw material

ECONOMIC LETTER FROM TOKYO

Economic policies were emphasized in several Gov't policy speeches presented before the Diet. (1) Elevation of productivity by pushing modernization and rationalization of industry, and effecting labor-management cooperation; and further efforts toward foreign trade promotion. (2) Stabilization of livelihood through emphasis on the three pillars of social security, housing and tax cuts. (3) Maintenance of sound fiscal policy and avoidance of expansion through bond issues. (4) Monetary emphasis will be on further normalization and lowering of money rates. Re-examination of the Bank of Japan credit control functions will be made for a more appropriate market operations in securities as well as establishment of a reserve requirement system.

The budget for the fiscal year beginning April 1956 was approved by the Cabinet. The General Account income-outgo is balanced at ¥1,034,900 million, an increase of ¥43,400 million over the previous fiscal year. The expansion is not considered excessive as the budget ratio to the estimated national income is 15% as against 14.8% for the previous fiscal year. In revenues, tax receipts are put at ¥826,700 million showing a natural rise of ¥51,900 million, despite the tax cut on salary and wage income. In expenditures, rises in defense expenditures (to ¥140,700 million or ¥8,000 million above the previous F.Y.) and local grants

for producing industrial alcohol and beverages. The oil and fat industry has also added to its sources of raw material silk-worm chrysalids (pupae) and rice husks. Synthetic fibres are being produced out of paper pulp. By making fuller use of existing equipment the cotton textile industry has raised the grade of cotton yarn by 1.6 counts on the average. The result has been to increase the output of new varieties of fine cloth, prints and knitted goods. The cigarette industry has succeeded in working out new blends of tobacco and producing new and cheaper kinds of cigarettes. Tinned foods enterprises have also added to their list of products new varieties of tinned fruits and meats.

A great deal of China's light industry and handicrafts is still privately owned. During the next 2 years, more and more of it will be transformed into state-capitalist industry and handicraftsmen's co-operatives. Peking states that when light industry passes from private into state-capitalist industry, and especially when the various trades have passed from private ownership to joint state and private ownership, production will come within the framework of state planning, management will be more efficient, operatives and staff will work more enthusiastically, and output is bound to increase.

According to the first 5-year plan, output of light industry will be greatly increased by the end of 1957: flour from 1952's 2.9 to 4.7 million tons, sugar from 451,000 tons to 1.1 million tons, edible vegetable oil from 724,000 tons to 1.6 million tons, cigarettes from 2.7 to 4.7 million crates (150,000's), cotton yarn from 3.6 to 5 million bales, cotton cloth from 111.6 to 163.7 million bolts, paper from 539,000 to 892,000 tons, bicycles from 80,000 to 555,000, rubber footwear from 61.7 to 108.3 million pairs, and matches from 9.1 million cases of 1,000 boxes to 12.7 million cases.

With all these unfinished projects on hand, Peking is anxious to relax the tension in the Far East. Peaceful co-existence plus free trade will enable Communists in China to reach their objectives sooner and easier.

and subsidies for reconstruction of local finance (to ¥162,800 million, rise of ¥25,400 million) were quite high. Fiscal loans and investments were down by ¥17,400 million from the previous fiscal year to total ¥259,300 million. But as regards housing, highways, Hokkaido development and other Gov't projects, private funds (¥136,900 million or ¥74,600 million above the previous F.Y.) are expected to cover the shortage in Gov't funds.

Further firming (continued from last year-end) in metal products including non-ferrous, and overall stiffening in textiles (excluding silk) were outstanding in the commodity market situation in January. Price firming on iron-steel and non-ferrous metals partly reflected demand rise, but influences from rise in speculative sentiment caused by anticipation of future rises were strong. This latter factor was stimulated by the upping of quotations in view of rising costs accompanying the advance in raw materials reflecting the firm overseas market. The important thing to note is that despite the lull in the rising trend toward the month-end, market rises since the last year-end have been quite above overseas rises and the price gap has gone against Japan. Firming of textiles is largely due to active exports with domestic demand not showing any major developments. The stock market opened high, but invited slow evening-up transactions. The January-end Dow Jones ave. was ¥423.46, a ¥2.23 dip from the Dec. 28th peak.

In its economic report for January the Economic Planning Board states that economy continues a moderate expansion favored by good exports and rich harvest. Foreign exchange receipts through export trade reached \$198 million in December, 1955 or a gain of \$23 million as compared with November, while export letters of credit received during the month exceeded \$200 million level for the first time since the end of war. The net balance of payments for December was \$61 million in our favor. Easiness prevails in the money market; and the turn of the year was made without the usual evidences of strain. The Board's wholesale price index for the last week of 1955 was 155.4 (on the basis of pre-Korean War), which is a rise of 1.6% from end-November last, but with the exception of iron and steel and non-ferrous metals prices remain generally stable. There is, however, in evidence of late of a gradual rise in investment and consumption demands. This, in combination with export demand, is reflected in a decrease in both the manufacturers' and the dealers' inventories, despite the growth of industrial production to the post-war high of 192.3 (1934-36 = 100) in November last.

The Government decided on the economic plan for the fiscal year 1956. National income is to expand, as compared with the current fiscal year, by 3.6% to ¥6,899,000 million (\$19,164 m.), exports from the estimated \$2,050 million to \$2,200 million, and imports from \$1,900 million to \$2,190 million. Labor force, as a result, will increase by 880,000 to 42,650,000, while the totally unemployed are expected to dip from 670,000 to 650,000.

According to the Ministry of International Trade and Industry, industrial production index for 1955 (1950 = 100) averaged 201.9 or 8.8% above the previous year's 185.6. This includes both mining and manufacturing. The index for the latter only indicated a 10% rise over 1954 at 218.1. Classified by industry, a sharp increase of over 20% in production was recorded in chemical fibers (23.6%), drugs and medicines (34.5%), steel vessels (59.7%) and textile secondary products (35.1%).

JAPANESE INDUSTRIAL REPORTS

IRON AND STEEL

The world output of crude steel in 1954 registered 245 million net tons, or a 5.5% decrease as compared with the 258 million net tons of the preceding year. This was because, notwithstanding the increase of production in Western nations, the United States, which accounts for some 40% of the world production of crude steel, showed a decrease of 26% as compared with 1954, on account of the country's business recession. The American iron & steel industry has, however, taken a favorable turn with the increase in demand from the auto industry and housing construction. Its operation ratio, which had gone down to 63% in July and August of 1954, was up to 97% in May 1955. The industry throughout the world has, therefore, been enjoying its boom since early 1955. The crude steel production by the leading iron-steel producing countries in the period of last January through August, registered increases, in terms of annual rate, of 29% in the U.S., 4% in the U.K., and 17% in the European Iron-Steel Community (20% in West Germany). The production in the U.S.S.R. for 1955 is estimated at 46 million to 48 million M.T., or 15% higher than last year. At this rate, the world output of steel for this year would reach a new high.

A survey of the price trends of iron & steel in the light of the export prices fixed by the Continental Export Cartel reveals that the average price of merchant bar for all countries except the U.S. and Canada rose steadily from 86 dollars in July-October 1954 to as high as 105 dollars of of September last. It does not come up to the level of 145 dollars of the Belgian export price for merchant bar in June, 1951, when the Korean War broke out. Nevertheless, the present international price of steel is making a wholesome advance, not influenced by military procurements or speculation, but supported by the vigorous tone of industrial activities.

Coal-Iron Community last summer. Ocean freightage has soared recently owing to the heavy cargo movements by the large purchases of U.S. coal by Western countries. It has affected not a little Japan's iron-steel industry, which depends upon overseas countries for nearly 45% of coaking coal, 15% of scrap-steel as well as nearly 55% of ore.

Table 2
Prices of Imported Raw Materials in Japan
(Unit: Yen, CIF, per ton)

	Iron ore	Coaking coal	Scrap iron
1952	6,984	9,223	19,656
1953	5,143	6,560	19,810
Jan.-June, 1954	4,931	6,284	17,073
July-Dec. 1954	4,600	6,363	14,813
Jan.-June, 1955	5,062	6,931	15,707
August, 1955	6,504	7,045	18,532

Note: Figures equal import values of the items divided by their respective quantities for the period under review.

As seen from Table 2, import prices for August, last year, showed gains of 19.6% for iron ore, 10.7% for coaking coal and 25% for scrap iron, as compared with the latter half (July-Dec.) of 1954. In autumn of last year, market was expected to weaken in 1955 (fiscal year) with demand undergoing a gradual decline from the first half through the second. The amount of imports of iron ore was accordingly reduced from October, last year, registering only 177,000 tons in February. (Average monthly consumption of imported iron ore in 1954 was 368,000 tons). Consequently, the stock of imported iron ore diminished gradually and reached at the end of May the lowest level of 671,000 tons in the past two or three years. However, in view of (1) the steady tone of overseas market, (2) a favorable turn in Japan's exports of iron & steel and (3) an increase in the domestic demands, principally from the shipbuilding industry, the Ministry of International Trade and Industry

Table 1
Exports by Leading Iron and Steel Producing Countries
(Unit: 1,000 M.T.)

	U.S.A.	U.K.	West Germany	France-Saar	Belgium-Luxembourg	Japan
1953 (To producing countries	1,112.2	990.1	609.9	936.4	2,228.2	263.1
(To non-producing countries	2,337.4	1,683.9	1,163.1	2,124.6	1,968.8	602.9
1954 (To producing countries	2,294.2	480.4	701.8	1,357.8	2,794.4	192.3
(To non-producing countries	2,119.8	1,969.0	1,548.4	1,885.2	2,332.6	1,060.7

Table 1 shows the exports of iron & steel in 1954 by the six leading producing countries, that is to say, the U.S., the U.K., West Germany, France-Saar, Belgium-Luxembourg and Japan. Exports to the above six countries increased 24% as compared with 1953, of which more than half were the exports by those of France-Saar and Belgium-Luxembourg to West Germany. Exports to non-producing countries from the six countries were 8% greater than the previous year, Brazil and Argentina being the major destinations. Since the beginning of this year, iron exports have been as brisk as ever. Belgium-Luxembourg, the world's largest iron & steel exporting country, shipped during the first half of 1955, 3,020,000 tons, or a gain of 18% in terms of the annual rate, as compared with last year.

As a result of the record-breaking production increase in iron and steel all over the world, the procurement of the raw materials has posed a problem among the producer countries. A lack of coaking coal was felt by the European

inaugurated a production expansion plan for iron and steel, and the raw materials import plan was revised.

Blast furnaces in operation numbered 21 at the end of June in 1954 with an authorized annual capacity of 3,920,000 tons. At the end of August of the same year, this capacity was reduced to 3,670,000 tons. Consequently, the output of blast furnace pig which constitutes 95% of the total output of pig iron registered a decrease. Nevertheless, the revival of the overseas market since the third quarter of 1954 (Oct.-Dec.), and the success of Japanese mills mass exportation have opened up a bright prospect for the industry. At the end of June, last year there were 22 blast furnaces with an authorized annual capacity of 4,120,000 tons. The output of blast furnace pig for the first quarter (April-June) of 1955 amounted to 1,269,000 tons—the highest quarter figure ever attained before and after the war. Production continued to rise registering 1,305,900 tons in the second quarter. And demand was

exceedingly heavy, causing the stockpile to shrink to as low as 88,000 tons at the end of June.

The output of hot rolled ordinary steel for the first six months of the 1955 fiscal year was 3,280,000 tons, or 10.2% higher than for the previous six months, and 27.2% above the corresponding period a year earlier (Table 3).

Table 3
Production of Iron & Steel for Fiscal 1954-55
(Unit: ton)

	The first half, The second half,		The first half,
	1954	1954	1955
Pig iron (for steel making)	1,915,044	1,995,770	2,344,045
(for casting)	394,025	252,478	305,385
Total	2,309,069	2,248,248	2,649,430
Iron ingot	3,764,158	4,111,122	4,682,714
Hot rolled ordinary steel			
Heavy rail	128,566	182,818	174,148
Light rail	16,057	6,958	9,352
Sheet pile	6,656	5,300	13,261
Structural shape (large)	58,642	38,552	118,351
Structural shape (medium)	133,820	137,862	180,000
Structural shape (small)	21,206	37,356	26,371
Rim & sash	8,265	7,067	8,064
Bar (large)	8,868	3,805	4,914
Bar (medium)	41,886	30,194	37,417
Bar (small)	392,261	532,761	476,831
Tube round	93,784	103,491	117,520
Skelp	16,474	0	0
Ordinary wire rod	226,596	304,523	300,593
Special wire rod	37,369	44,522	57,103
Plate (over 6 m.m.)	393,870	559,182	690,904
Plate (3 m.m.-6 m.m.)	113,627	112,217	134,086
Sheet (under 3 m.m.)	464,598	439,382	349,508
Wide strip	243,964	279,928	332,820
Narrow strip	116,688	150,179	189,906
Silicon sheet	37,138	18,623	23,108
Tire	18,687	23,766	35,112
Total	2,579,022	3,017,856	3,279,360

But according to monthly statistical figures, the production of hot rolled steel in the first half of last year hit the peak in May and declined steadily thereafter, so that the second quarter (July-Sept.) showed a decrease of 6.3% from the first quarter (April-June). This is attributable to the fact that although the total volume of export contracts for iron and steel in the first half of 1955 was larger by 1.2%, as compared with the second half of 1954, owing to a spectacular gain of 184.3% in semi-finished products, the contract volume for secondary products remained practically unchanged while the same for the all-important category of primary steel products fell off 26.2 per cent. (See Table 4).

Under the 5th Revised Steel Production Plan, announced by the Ministry of International Trade and Industry, the

target for the year was set at 6,400,000 tons, with 3,100,000 to be produced in the second half year. It was feared that production expansion—especially a speculative production expansion—at this juncture might increase production cost instead of reducing it, and shoot up the price of steel, which is a basic material of vital importance to Japanese economy. The industry was accordingly advised by the Ministry to limit the steel output for the third quarter to 1,500,000 tons, or one half of the second half year target. However, seeing that voluntary adjustment of production on the part of makers was difficult of realization, and considering export as the major incentive to production expansion, the Ministry suspended the issuance of export permits for steel as of the 17th of October last.

Table 4
Export Contracts of Iron & Steel by Class
(Unit, ton: fiscal year)

	The first half, The second half,		The first half,
	1954	1954	1955
Heavy rail	103,409	70,681	46,104
Light rail	59	757	184
Fishplate	—	4,149	144
Structural shape	10,026	17,299	19,905
Bar	102,365	223,323	194,001
Wire rod	6,249	18,582	10,190
Plate (over 6 m.m.)	94,609	190,634	89,437
Sheet (under 3 m.m.)	13,611	50,369	34,503
Narrow strip	4,612	24,146	34,480
Silicon sheet	5,310	5,641	2,162
Tin plate	5,203	4,640	19,322
Scash	43	—	30
Sub-total of the primary products	345,496	610,221	450,482
Galvanized sheet	120,503	171,990	168,911
Cold rolled sheet	4,687	11,781	35,213
Steel tube	30,961	56,927	45,585
Secondary products for the wire rod	82,647	104,819	114,850
Semi-finished products	142,207	161,392	404,302
Special steel	2,696	5,042	7,007
Ferro-alloy	16,938	27,897	38,003
Others	10,685	140,644	51,159
Total	757,120	1,290,513	1,305,512

SHIPBUILDING

With orders for export ships continuing to come in, Japan's shipyards today are in full operation. The principal factors of this prosperity is the urge for the construction of new ships which is felt throughout the world on account of the favorable shipping market.

Table 1
World Ship Construction and Outstanding Contracts as of July 1, 1955

(Unit: 1,000 G.T.)

Country	Tramp		Tanker		Passenger cargo boat		Total G.T.	%	Total for July 1, 1954			
	No.	G.T.	No.	G.T.	No.	G.T.			No.	G.T.	%	
U. K.	279	1,803	120	1,815	19	239	418	3,857	30.6	485	4,630	39.0
West Germany	239	1,383	21	348	10	53	270	1,783	14.1	160	1,273	10.7
East Germany	6	27	—	—	—	—	6	27	0.2	—	—	—
Sweden	86	478	56	883	—	—	142	1,360	10.8	146	1,505	12.7
Japan	69	605	35	760	—	—	104	1,366	10.8	41	462	3.9
Holland	79	360	44	682	4	42	127	1,084	8.6	158	1,158	9.7
France	64	323	26	519	1	12	91	854	6.8	71	783	6.1
Norway	30	126	32	419	—	—	62	545	4.3	68	557	4.7
Italy	49	347	17	296	5	63	71	705	5.6	21	249	2.1
Denmark	47	201	6	81	2	4	55	286	2.3	50	366	2.6
U. S. A.	3	23	11	191	—	—	14	214	1.7	24	354	3.0
Belgium	16	85	7	96	2	14	25	195	1.6	23	223	1.8
Spain	8	28	9	91	5	51	22	170	1.3	32	190	1.6
Australia	10	63	—	—	1	3	11	65	0.5	20	114	0.9
Total	1,003	5,929	384	6,180	50	487	1,437	12,597	100.0	1,305	11,875	—
Figure for July 1, 1954	727	3,884	538	7,509	45	482	1,305	11,875	—	do.	do.	—

The orders for export vessels received by Japanese shipyards in the 1953 fiscal year registered 165,000 G.T. and in 1954 574,000 G.T. The orders coming from abroad during the period April through September last year swelled to 818,000 G.T., which is more than double the initial export target of 400,000 G.T. set by the Government for the current fiscal year. The major portion of the orders last year was accepted at prices 10%-15% lower than the level—namely, at a sacrifice under the sugar-ship link system. This year's orders, however, are mostly on a paying basis, almost all the contracts concluded since August calling for a price above prime cost. Not a few payments have been made in cash and full. The shipbuilding industry in Japan has now turned completely from the buyer's market to the seller's.

Table 2
Export Contracts for Vessels in Recent Years

	Number of Vessels		Value of Contracts (\$1,000)
		G.T.	
1952 fiscal year	21	44,997	14,869
1953 do.	12	165,180	40,180
1954 do.	(12)	(155,180)	(40,180)
1955 do.	52	579,040	126,550
1955 do. (April-Sept.)	(38)	(439,340)	(91,026)
	55	818,000	183,046

Source: Ministry of Transportation.
Note: Figures in parentheses are contracts accepted by sugar-ship link system.

The number of ships laid down increased sharply, as is seen from Table 3, after the autumn of 1954, owing to the inauguration of the Tenth Shipbuilding Plan by the Government and the commencement of a large scale construction of export ships. Ships on the stocks also increased month after month totaling 617,000 G.T. at the end of July. The industry is operating at full capacity now that construction has begun under the 11th Shipbuilding Plan.

Nevertheless, there are not a few problems that confront the shipyards in view of the following two facts. One is the problem of how to execute the orders piled up on hand, that will keep them busy for more than two years. The other is how to make them permanently prepared to receive orders hereafter. The former concerns (1) the question of securing the supply of shipbuilding materials, especially of plate and angle steel, and the stabilization of price for those materials, and (2) the expansion of gridiron. And the latter, (3) the rationalization of equipment, (4) the strengthening of related industries and (5) the securing of the market.

(1) Shipbuilding materials. The ironworks for manufacturing plate and angle steel are limited in number as well as in capacity so that great difficulties in obtaining steel for export vessels are felt by all shipyards. Here is a serious problem that may involve delays in the delivery of export vessels. Moreover, the steel shortage has necessarily brought about a sharp rise in prices. The Ministry of International Trade and Industry banned the export of steel on October 15, in order to cope with this situation. The recent export of plate has stood, however, at the rate of only 5,000-6,000 tons a month. There would be a lack of 5,000 tons to 10,000 tons, if all of the above export were allocated to shipbuilding. It is, after all, inevitable for the industry

to rely on imports of steel. The price of steel would pose another problem to the industry in view of the current upward trend in the international price of steel.

(2) Expansion of gridirons. Adjustment and the contraction of scale in production were the major problem for the industry immediately before the export-ship boom. Accordingly, the expansion of gridirons was the last thing that the industry had in mind. The leading shipbuilders are making efforts at present to enlarge smaller gridirons. The number of export tankers contracted during the period of April through September is 24. And all these tankers are supertankers above 28,000 G.T., with the exception of one of 3,400 G.T. accepted by Hitachi. The future orders are expected for the most part to call for supertankers. The installation of more larger gridirons is, therefore, the urgent necessity for each of the shipbuilders. According to a survey made by the Ministry of Transportation in April, the number of larger gridirons will reach 14 by the end of the 1955 fiscal year, as against only 10 at the end of the 1954 fiscal year. Further increases are anticipated.

(3) Rationalization of equipment. The industry stands at the highest level with respect to technique of shipbuilding except that for auxiliary machinery. This is because vast sums have been invested in both lines of hull construction and engineering.

(4) Securing of overseas market. Ships constitute major portion of the plant exports in the 1954 fiscal year, and 71% of the current fiscal year. The greater part of export ships have gone to New York. Of these, the supertankers and tramps sold to the Greek group constitute a large percentage of the total export ships. The demand for ships by the underdeveloped countries has been quite active. Nevertheless, orders from those countries are limited owing to their lack of foreign exchange. Brazil is a country from which increasing orders have been received. Shipowners of the Greek group being speculative, their orders are concentrated at the time of shipping boom. In this respect, from the standpoint of securing orders in a period of depression, special attention should be paid to the export to underdeveloped countries whose orders for ships are generally issued by their governments on a planned basis.

As regards the future, brisk business is assured for two or three years to come in view of the volume of construction work on hand. If the purchase of materials goes on smoothly, the industry will see the biggest boom since the war. The following are the prospects for orders from the domestic and overseas markets.

(1) Domestic market: The target of the 11th Shipbuilding Plan by the Government is set at 183,000 G.T. A further increase in planned shipbuilding totaling more than 200,000 G.T. may be expected. The Ministry of Transportation has announced a 220,000 G.T. construction plan for the 1956 fiscal year. The shipbuilding with own capital by shipbuilders is considered to step up gradually. In addition, there is the annual construction of Defense Board vessels of 7,000 displacement tons (35,000 G.T. in terms of merchant vessels). The domestic market is therefore considered stabilized with orders of nearly 300,000 tons a year.

(2) Overseas market: It is necessary for the industry to secure its overseas market in order to cover the gap of

Table 3
Ships Laid Down and Under Construction

	Tramp		Tanker		Export ship		Total including others		Tramp		Tanker		Export ship		Total including others	
	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.
April-June, 1954	8	3,840	1	690	10	59,044	53	69,998	17	54,130	19	68,990	72	149,824	140	292,640
July-Sept., 1954	2	2,278	3	890	100	60,487	167	74,035	9	5,610	3	1,040	158	173,511	223	191,213
Oct.-Dec., 1954	24	156,610	1	250	10	75,184	93	212,116	27	158,830	5	1,420	164	219,261	259	406,876
Jan.-March, 1955	13	8,005	2	14,250	18	187,780	107	233,008	36	155,825	3	14,500	82	347,710	197	556,691
April-June, 1955	34	8,400	0	0	32	173,590	70	189,327	23	88,195	1	13,200	110	466,100	178	593,533
July, 1955	—	—	—	—	—	—	—	—	17	37,215	1	18,209	121	540,899	192	617,622

JAPANESE CERAMICS

Japan has regained its prewar position as one of the leading ceramic exporters in the world and the Japanese ceramics industry has become a valuable dollar-earner. The bulk of Japan's output is exported to the United States. Last year, exports to that country totalled \$20 million. Japanese ceramics—tableware, toys, kitchen utensils, decorative items, sanitation fixtures, insulators—enjoy wide popularity abroad, but especially in the United States.

It was only following the opening of trade with the United States in the latter half of the 19th century that Japanese ceramics were exported directly to that nation. It can be imagined, however, that even before then beautiful Japanese ceramic pieces purchased from Europeans were displayed in the parlors and living rooms of those Americans who possessed interest in them. Japanese ceramics from as far back as the 17th century had already been introduced extensively in Europe principally by the Dutch. The Europeans were captivated by the artistic styles of Japanese ceramic wares and they vied to acquire them.

The superlative beauty of Japanese ceramics is an innate part of the way of life in Japan. The rustic elegance of Cha-no-yu (tea ceremony), the symbolic beauty of Ikebana (flower arrangement) and the gorgeous colors of the kimono—all the graceful loveliness that surrounds Japanese life has been reflected in ceramics. They have given birth to such famous names as Kutani-yaki, Kyoto-yaki, Imari-yaki and Satsuma-yaki. The Japanese are gifted with natural talents in artisanship as can be seen in their architecture and other formative arts. And with the abundance of potter's clay, new products possessing special characteristics have been successively created.

The introduction of Western civilization brought with it Western techniques in ceramic making, and the manufacture of pure white porcelain wares as well as bone china was started. Thus, Japan started to make ceramic wares in both Western and Japanese styles. Western-style ceramic products began to be exported in great quantities. Incidentally, following World War II, the thousands of Occupation troops who came to Japan helped to introduce things Japanese to the United States. As a result, demand for Japanese objects grew. Today, the volume of Japanese products to the United States cannot be regarded lightly.

The development of Japanese industries, meanwhile, led to the manufacture of ceramic wares needed for industrial use, for electrical use and for use in chemistry and physics. Exports of these products increased considerably. Japanese ceramic wares thus came to possess a breadth and depth that made them acceptable to people the world over and suitable for all purposes. As a result, exports of Japanese ceramic wares made remarkable strides in the present century. World War I was the springboard that catapulted Japan to a position alongside Britain and Germany as one of the largest ceramic exporters in the world. The ceramics

industry devastated by the late war has now recovered and has regained its former leading position.

Ever since Western-style ceramic wares were manufactured in Japan, exports to the United States have always been predominant (except during World War II). For example, at one time before the war, exports to the U.S. exceeded half the total amount exported in terms of money. Following the war, too, the United States imported from one-third to one-half Japan's total exports of ceramics. Exports to the U.S. last year totalled \$20 million. The types of ceramic wares exported to the United States is comprised mostly of tableware, kitchen articles, decorative items, toys and general household goods.

Various dinner set compositions are manufactured in Japan ranging from 12-piece service sets to sets for a few persons. Their crystal white bodies and beautiful designs are very popular with American families. The unusual design motifs of tea sets, coffee sets, dishes, bowls, cups and saucers are also well received. The patterns, ranging from flowers and grass to abstract designs, incorporate the best of West and East and are praised as being in perfect harmony with the tastes of modern-day people.

As for decorative items, exports are composed mainly of figurines and lampstands—decorative objects found in most American houses—but recently exports of purely Japanese-style products have also increased. The fact that such gorgeous items as Kutani-yaki and Satsuma-yaki are exported, on the one hand, while rustic Mishima ware are popular, on the other hand, is perhaps an indication of the trend of the tastes of modern-day people.

Many new toys are also produced which suit the demands of present-day children. Aside from the aforementioned household articles, other new products in demand are porcelain for electrical uses and tiles. The excellence of Japanese insulators, particularly high voltage insulators, are well known by experts the world over. Great quantities of such products have been exported to India and Sweden. Lately their superior quality has come to be recognized in the United States as well.

Excellent symmetrically-shaped tiles are produced in Japan according to modern production methods. The mosaic tiles in particular possess unusual characteristics, and orders for these from the United States have risen sharply. The manufacture also of excellent sanitary fixtures by outstanding Japanese makers has been drawing the attention of American construction firms.

The alert consumers know that they can buy Japanese ceramic wares at very low prices. It has been stated that Japan's ceramic industry is favored by its advantageous environment. It should be recognized, however, that the superiority of Japanese ceramics is due not only to the excellent natural soil and the innate artistic gift of the Japanese people but also to the modernization of factories, the training of technicians and to the immense effort made toward the creation of outstanding designs. In view of Japan's admittance to GATT and the lowering of tariffs by the United States, American consumers will be able to purchase Japanese ceramics at prices even lower than before. Japanese makers, moreover, are determined to improve the quality of their ceramics.

Japanese ceramic exporters in Japan have established the Japan Ceramic Wares Export Association in order to promote exports of their products. This association has its headquarters in Nagoya City—the hub of ceramic manufacturing. It also has offices in Tokyo, Kobe, Osaka and Kyoto. The association aids in introducing foreign importers to suitable makers and exporters.

500,000 G.T. between the domestic orders and annual construction capacity of 800,000 G.T. of the shipyards. Demand coming from abroad reached 818,000 G.T. for the period of April through September. This figure is likely to swell to 1,200,000 G.T.—1,800,000 G.T. by the end of the current fiscal year. Inquiries from abroad present rosy prospects for further contracts on export vessels. There are, however, problems relating to the supply and prices of steel while the outlook for procuring turbines remains uncertain. Shipbuilders are, therefore, taking a cautious attitude. Future orders would not be paying unless accepted at a fixed price, allowing liberally for advances in steel price, or a price with a sliding clause in respect thereof.

JAPANESE DRUG PRODUCTION

Japanese scientists have been active in recent years in discovering, producing and exporting "miracle drugs," and two of the most promising finds have been zarcomycin and 8-azaguanin which have been effective in fighting cancer. The advance noted in combatting cancer is most propitious, for that dread disease is now the No. 2 killer, following apoplexy. New developments in chemotherapeutics and anti-biotics were responsible for the drop in the death rate from tuberculosis which formerly held second place but is now fourth. Another "miracle drug" discovered in Japan is Tricomycin which is effective against certain skin diseases.

Dextron and Vitamin B2 are being increasingly exported from Japan.

Zarcomycin is obtained from *Streptomyces Erythromyces*, a germ found in soil in Kamakura and discovered by Dr. Hamao Umezawa of the Sanitation Research Institute in 1952. It is a drug that resists and blocks the growth of cancerous matter. A look at the clinical records of Dr. Shunji Ishiyama of the Surgical Department of the Kanto Communications Hospital shows that zarcomycin has proved 50 per cent effective in either curing or improving cancer cases. It has very little toxicity (side effects) as compared to other drugs. Zarcomycin production in Japan at present amounts to approximately 56 kilograms a month. The Welfare Ministry has authorized its use in the following cases: breast cancer, cancer of the uterus, cancer of the ovary, chorionepithelioma malignum, gastric cancer, cancer of the lungs and Hodgkin's Disease.

Experimental reports of Dr. Shigeru Shiba of Osaka University's Surgical Department show that 8-Azaguanin has proved quite effective with respect to early stages of gastric cancer, cancer of the breast, cancer of the rectum and cancer of the oesophagus. It helps improving clinical diagnosis and a contraction of the tumor. On the other hand, toxic effects such as loss of appetite, weakening of the heart, general fatigue and rash were recorded. These are believed, however, to be only of a passing nature. It is at present being sold under the commercial name of "Azan." Production was

started from around September, 1954 and monthly output at present is 20 kilograms. This drug has been authorized for use by the Welfare Ministry in the following cases: cancer of the ovary, cancer of the breast, gastric cancer, cancer of the lung, cancer of the rectum and sarcoma.

In 1952 a party led by Dr. Seigo Hosoya of the Infectious Disease Institute discovered a new strain of germ now called *Streptomyces Hadjiensis* while conducting screening tests on soil of Hachijo Island, off Tokyo Bay. From this they obtained a new anti-biotic and named it Tricomycin. It was found that this drug was ineffective against bacilli but effective against protozoa and mold as well as *Trichomonas Vaginitis* and the Morenia Disease. The characteristic of Tricomycin is that it is more effective against *Trichomonas Vaginitis* and *Candida Albicans* than any other anti-biotic or arsenic drugs. It is possible to treat *Trichomonas Vaginitis* and the Canadida disease by applying Tricomycin externally. The drug is sold on the market as Tricomycin Vagina Pills, Tricomycin P Vagina Pills (which has in it Penicillin G Calcium) and Tricomycin Salve. The salve is effective against ringworm type disease such as athlete's foot, ringworm, scab and psoriasis. It is also good for *Trichomonas Dermatitis*. Monthly production totals approximately 57,000 million units. It is produced only in Japan.

Dextron, which was discovered during the Second World War by a Swedish scientist, is one of the outstanding substitutes for blood. It has virtually no toxic effects and can be used regardless of blood type. The Fujisawa Drug Industry Company began importing Dextron from the Bengel Laboratories in 1952, but it was found that it could be manufactured from sugar waste. At present two Japanese sugar refining companies make Dextron.

In this day and age when vitamins and amino acids are publicized as being vitally important to health, there is naturally a large demand for Vitamin B2, an indispensable ingredient in any composite vitamin pill. Six hundred kilograms a month are produced in Japan under a special process.

JAPAN-BURMA COOPERATION

The payment of the first instalment of Japanese reparations gets under way this year with the agreement reached late last year on the initial schedule. The agreement signed by Japan and Burma on November 5, 1954, and effective as of April 16, 1955, provides for reparations to Burma of goods and services amounting to U.S.\$20,000,000 a year over a period of ten years. On October 18, 1955 the two countries reached agreement on the particulars and the means of implementation. The schedule for the first year was decided on December 24.

Reparations contracts are expected to total more than Y17,000 million (\$44,444,000) in goods and services at this stage. The estimated amount payable during the first fiscal year, which ends in March 1956, comes to approximately Y5,650 million. Emphasis has been placed on the development of natural power resources and on the improvement of transportation facilities.

The Balu Chaung Hydro-Electric Project is expected to be completed around the summer of 1957. When completed,

it will have a maximum output of 84,000 KW. The electricity generated yearly will total 620,000,000 KWH and will be widely distributed through Balu Chaung-Rangoon line and the network to the north. The power plant is expected to contribute immensely to the development of industries and to the improvement of the people's living standards.

In the field of transportation, the Port of Rangoon will be rehabilitated while various vehicles and vessels will be supplied to the Burma Railways, the Inland Water Transport Board, the State Agriculture Marketing Board, the Marine Department and other government agencies.

Installation of dyeing and silk reeling and spinning machines in Burma's State-managed factories as well as the construction of various plants to aid the growth of cottage and small industries are also included in the schedule. About 100 Japanese technicians and skilled operators will be dispatched to give their services in the dyeing, sericultural, cottage and small-scale industries. About 40 trainees and students, on the other hand, will come to Japan.

THE JAPANESE PRODUCTIVITY CENTER

Labor and management are working hand-in-hand in Japan to raise the nation's productive capacity through the program sponsored by the Japan Productivity Center. Despite reluctant voices at the outset, several important labor unions have joined the activities of the Center and are now cooperating positively together with management groups toward the goal of increasing production. A civilian, non-profit organization, the Productivity Center was established on March 1, 1955 to find ways and means of increasing the nation's productivity. It is being operated jointly by labor and management.

The program of the Center was given a boost on April 7, 1955 when the Governments of Japan and the United States signed and exchanged documents to enable the two countries to take cooperative efforts toward the goal of increasing production. Under this arrangement, Japan is given the opportunity to dispatch survey missions abroad while the United States will send experts and technicians to Japan and offer necessary data and know-how. All expenses incurred in dollars will be borne by the U.S. and Japan will do the same for yen expenditures.

Mr. Shigeo Nagano, president of the Tokyo-Shibaura Electric Co., is concurrently the chairman of the Japan Productivity Center. He is assisted by two vice chairmen. The Board of Directors consists of 15 business management representatives, six scholars representing academic circles and two representing labor. The Center is thus under private management. The Center is devoted to the study of obtaining the best results from the scientific and effective use of all elements that go into the nation's productive activities, including natural resources, manpower and equipment, to improve the productivity of Japanese industries. Its ultimate aim is to achieve a self-sustaining economy, thereby increasing the national income, elevating the standard of living and increasing employment. For this purpose, the Center exchanges techniques with advanced Western countries (as in the case of the agreement with the U.S.); carries out research on and propagates scientific business management formulas; undertakes industrial education and

training; provides an information service; helps establish cooperation between labor and management; and undertakes a large-scale national campaign to enlighten the public.

Chief among the activities of the Japan Productivity Center in 1955 were: 1. Dispatch of a survey mission abroad; 2. Invitation of foreign experts to engage in the productivity movement; 3. Investigation and research to improve productivity; 4. Promotion of the productivity movement; 5. Collection of domestic and foreign data; 6. Enlightenment of the general public on the need of the productivity movement.

All these activities in 1955 were financed with a budget of Y305 million (\$847,000). It included: Y50 million (\$140,000) state subsidy, a Y150 (\$147,000) loan from the counterpart fund for the disposal of surplus farm products supplied by the United States, and Y105 million (\$290,000) from private capital.

Mutual understanding and cooperation between labor and management constitute a prime requisite to the success of the productivity movement. The United States also emphasizes this point; labor-management cooperation is the basis of the productivity movement in West European countries.

At first some Japanese labor leaders were hostile to the aims of the Productivity Center. They were influenced by Soviet policy which wants to prevent or at least slow down the progress of Japan. Once again misled labour union functionaries, acting against the best interests of their nation, and heeding 'directives' of a foreign country rather than listening to the voice of their own people, showed an unpatriotic attitude. Eventually however labor union leaders were persuaded to assist the aims of the Productivity Center and last September 16, the General Federation of Labor (Sodomei) and a little later the All Japan Seamen's Union joined the Center.

Foreign friends of Japan wish every success for the efforts of the Productivity Center, trusting that Japanese exports will greatly benefit from the research and other activities of this organization.

FOREIGN INVESTMENT IN THE PHILIPPINES AND THE PROBLEM OF ALIEN MINORITIES

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The above topic covers two basic issues: first, the question of foreign investments; and second, the problems of foreign immigration and the relationship of immigrants and their descendants with Filipinos in the economic field. These two issues are quite distinct from each other inasmuch as it is possible to have foreign investments without the entry of foreign nationals for either temporary or permanent residence in the country.

It must be pointed out, however, that the immigration of foreigners into a country and their subsequent internal

growth have played quite an important role in that country's economic development. The immigration of the Huguenots into Great Britain during the sixteenth century is a good example. The Huguenots were greatly responsible for the introduction of the weaving skills and techniques which built up the great textile industry of Britain today. A similar example is the migration of the Chinese into the various countries of Southeast Asia. Up to the sixteenth and seventeenth centuries, the majority of the Chinese in Southeast Asia were traders sailing in their junks from port

to port and plying their trade in this region. At the close of the nineteenth and the beginning of the twentieth century, the Chinese Government raised the ban on emigration. From then on, great numbers of Chinese nationals began to migrate and settle in the Southeast Asian region working as laborers in rubber plantations and tin mines. These Chinese eventually became shopkeepers and traders.

By 1941 the Chinese constituted quite a substantial middle class in Southeast Asia. The Chinese were banned in many countries from owning lands. In places where they lacked capital for investment and where they were not permitted to work in local governments, the Chinese were forced by circumstances into the role of merchants. They began to control the trade and thus became the small shopkeepers, money lenders and collectors of native products. Eventually, they became entrenched in the large import and export houses and quite a number of them accumulated enough wealth to own substantial land holdings or plantations and tin mines.

According to a more recent study,* "the economic grip of the Chinese upon Southeast Asia's economy is probably the basic cause of the indigenous peoples' resentment and fear of the Chinese minority. Their position is the more remarkable when one realizes that the Chinese form only 6 per cent (13 million) of the region's total population. Chinese are to be found throughout the entire economic gamut. Their importance in the different occupations varies from country to country but everywhere they dominate commercial life, especially the retail trade." The same study also points out that:

"Apart from its influence on the foreign relations of Southeast Asian countries, the Chinese minority offers an internal problem of fantastic complexity to the nations of the area. Certain aspects of this problem are common to the whole region, such as an increase in the proportion of local-born to the immigrant Chinese population, the growing urbanization of the Chinese community as a whole, the increasing domination by the Chinese of the region's economy, and the ever stronger attraction which the area holds for Chinese immigrants and for the two regimes each claiming to be the government of China. Though the status of the Chinese varies from country to country, all the governments of the area have been setting restrictions on their immigration, education, and political and economic activities. Generally speaking, four factors determine the relations between the resident Chinese and the governments and peoples of Southeast Asia: Chinese economic domination, their cultural unassimilability, the attitude of the Southeast Asian governments and the Peking and Formosa regimes."

The Chinese Traders

When we speak of alien minorities in the Philippines, the Chinese come to mind immediately because of their superior number and dominant position in our economic life compared with other nationalities. Our relations with the Chinese date back for almost a thousand years starting in 982 A.D. Except for brief interruptions, such relations particularly in the economic field have grown closer throughout the period to the present day. Based on records of alien registrations, there were roughly 159,000 foreigners in the Philippines in 1954, of whom about 143,000, or 90 per cent, were Chinese. There are those who claim that the actual number of Chinese in the Philippines, including women and children, is roughly 300,000, or about 1½ per cent of the total population. In view of their large number, it is easy to understand why we owe so much to the Chinese and the other alien groups for the economic development of the country

during the last one thousand years. As Professor Gregorio F. Zaide, noted Filipino historian, wrote sometime ago:⁹⁹

"The Philippines has a unique economic history. Since time immemorial aliens from many lands in search of adventure, profit and a better home, have come to her shores, bringing with them the civilization and traits of their races, their pioneering spirit and valiant hearts, their skills in various crafts and industries, and their sagacity in commerce. To them, the Filipino people owe a lasting debt of gratitude. For without their economic talents, foresight and toil, the Philippines would not have bloomed to her present status. Aliens pioneered in all economic enterprises in the Philippines. They cleared the virgin jungles and carved out of the centuries-mute wilderness thriving plantations of rice, hemp, coffee, indigo, coconuts, tobacco and other crops. They tapped the grassy beds of the valleys and the rocky arroyos of the mountains and unearthed the hidden treasures of their bowels, such as gold, silver, iron, copper and oil. Throughout the three centuries of Spanish rule and the four decades of American regime aliens prospered and many of them became rich. Their affluence was a deserving reward for their business acumen, courage and skill. While they gained fortunes for themselves and for their children, they contributed to the development and progress of the Philippines, the land which gave them the opportunities for self-betterment."

The Chinese interest, not only in the Philippines but also in most of Southeast Asia, became manifested in various industries. For a long time, the Chinese controlled the distribution and processing of rice in this region. Their control extended in the collection of palay from producers, its milling, its export to and from Indochina and Thailand, as well as its import and distribution from Malaya and the Netherlands East Indies. The same is true in Burma.

The predominance of the Chinese in these lines rests in their performance of two important functions: first, they supply a good portion of the operating financial requirements of the producers; and secondly, they provide the necessary link between the producers and the final consumers. The performance of these two key functions enabled them to gain control of the trade, not only in palay but also in fishing and the various agricultural and mineral commodities that enter into the internal or external trade of various countries.

The Chinese also extended their activities into primary processing and manufacturing. In the copra producing regions of the Philippines, they were active in the drying, crushing, as well as the exporting of the product. Joseph R. Hayden, who wrote one of the authoritative works on the Philippines, estimated that before the war the Chinese controlled 10 per cent of the invested capital in lumber in the Philippines and cut or milled some 40 per cent of the timber. They were also prominent in the making of cords and bags and in the curing of tobacco preparatory to export. In Malaya, they produced most of the pineapple and they owned all the pineapple factories in Singapore before the war.

The Extent of Chinese Participation in the Philippine Postwar Trade

The foregoing was the situation before the war. The question now is: How far have the Chinese penetrated into the various segments of our economy? While no reliable study of this problem has as yet been made, there are nonetheless enough data on which we could base an estimate of present Chinese participation in our economic activities. Records available show that during the postwar period, from 1945 to the first half of 1955, there were 11,764 corporations,

* Virginia Thompson and Richard Adloff. 1955. *Minority problems in Southeast Asia*. Stanford: Stanford University Press, p. 4.

⁹⁹ Gregorio Zaide, 1955. *The economic development of the Philippines and the contribution of the foreigners*. Far Eastern Economic Review (No. 1, January 6, 1955).

partnerships and cooperatives with a combined paid-up capital of P476.3 million that were registered with the Securities and Exchange Commission and the Bureau of Commerce. Of these business firms, 8,304 or 70.6 per cent were classified as Filipino, and the remaining 3,460 or 29.4 per cent as alien. The Chinese accounted for 2,580 or 92 per cent of this alien group. In terms of the total paid-up capital of all these firms, P272 million were classified as Filipino and the remaining P204 million, or 42.9 per cent, were alien. The Chinese accounted for P156 million, or 81 per cent, of the alien participation.

Another way of looking at the extent of alien penetration in the economy is to examine the structure of the new and necessary industries granted tax exemption under the law. As of August 1955, the records show that 420 of such new industries were granted tax exemptions, of which 261 were classified as Filipino and the remaining 159 as alien. Again, in this alien group, the Chinese were dominant as they accounted for 109, or two-thirds of all the alien firms. The total paid-up capital of these tax-exempt firms amounted to P223.6 million, of which P158.2 million, or roughly 70 per cent, were classified as Filipino, and the balance of P65.4 million, or 30 per cent, as alien. Gauged by the amount of capital paid-up, the Chinese put in almost as much as the Americans.

It should be pointed out that the method of classification as to whether a firm is Filipino or alien does not give the correct picture on the extent of alien participation in the invested capital of business organizations in the country. It would be a safe estimate to say that roughly 40 per cent of the capital in firms classified as Filipino belongs to aliens, mostly Chinese. In the final analysis, the alien groups actually have a greater financial stake in these business units. Without even considering the case of "dummies," it would be conservative to state that of the total paid-up capital of organized business units in this country, 75 per cent actually belongs to alien groups in which the Chinese predominate.

In the import business, the pattern shows a more extensive alien participation. For the first semester of 1955, for instance, there were 3,658 firms holding exchange quotas, of whom 75 per cent are classified as Filipino and 25 per cent as alien. However, of the total amount of exchange granted these importers, 50 per cent were classified as Filipino and 50 per cent as alien. These figures show that while Filipino importers were much more numerous in number, their per capita quota is much smaller than that of the alien groups.

On the other hand, of the 1,670 producers granted exchange quotas, 1,236 or 74 per cent were classified as Filipino and the remaining 434 or 26 per cent as alien. But in terms of foreign exchange granted, only 67 per cent were classified as Filipino and the rest as alien, showing once more that alien producers received larger per capita quotas. However, as in the case of alien participation in the paid-up capital of business organizations mentioned above, the actual share of aliens, particularly Chinese, in the import trade would be considerably greater than these figures show because of the fact that the same method of classifying firms by nationality is employed.

It would be safe again to estimate that actually the Filipino interest in the import trade is probably about 30 per cent only, whereas that of aliens is 70 per cent. In the case of producers holding exchange quotas, it may be estimated that only 40 per cent are Filipinos and 60 per cent are aliens. In the export trade, the same general pattern would be true, with aliens dominating the field.

Basic Considerations in the Formation of a National Attitude

The above situation points out two basic considerations in the formation of a healthy national attitude towards the activity of aliens in the economic field.

First, no economic groups can become firmly entrenched in the business life of a nation unless that group has been performing a basic and necessary service which the community acknowledges. In the case of the Chinese, this basic service consists of the provision of needed finance and the performance of marketing functions, with all the processing activities which are needed to prepare a commodity for sale.

Second, while we do not believe, and certainly no one will defend the proposition, that a people should abandon its economic heritage and responsibilities to an alien group, it must be recognized that the only sound basis for displacing or subduing any dominant group in a country's economy must be the more efficient provision of the needed services which the dominant group has been performing. If the Chinese control wholesale and retail trade now, the only way for us to wrest this control from them is to supply more efficiently and with greater benefit to the community, the trade facilities which the Chinese have traditionally supplied. We cannot just legislate our people into those fields without giving them the means to do it.

The Problems of Foreign Investment

This brings us to the second aspect of the topic, that is, the problem of utilizing foreign capital for development. This is an aspect that is quite distinct from, though closely related to, the problem of alien control of the country's economic life. The distinction is not merely academic. It is one which carries an important bearing on the national attitude towards foreign capital.

In the Philippines, the failure to distinguish between the two problems has resulted in an irrelevant division of people having different attitudes toward foreign capital. On the one hand, some groups abhor the idea of inviting any type of foreign investment in the country. These groups think of ownership rights which accompany the inflow of foreign capital, immigration of aliens, managers and technicians, and the political domination which they fear will accompany the ownership rights. The fear is that the Philippines will be transformed into a "banana republic." On the other hand, there are those who recognize the important role that foreign investments can play in our economy and, failing to separate the political from the economic considerations, are willing, for the sake of inviting foreign capital, to practically sell the entire country and the birthright of our people to powerful and wealthy countries.

While it is true that the migration of capital from the industrial countries of the West during the last third of the nineteenth and the first third of the twentieth centuries was associated with the subjugation and colonization of the so-called backward countries of the East, there is no necessary connection between inviting foreign capital and inviting foreign dominations. The connection is not necessary but it is so close that unless a country is selective and is careful in distinguishing economic from political claims, it may be lured into making unnecessary concessions which would be inconsistent with political sovereignty. It is not necessary in order to attract foreign investment to sell the country—lock, stock and barrel—to prospective investors. Foreign investments, as such can make an incalculable contribution to the more rapid development of our country.

India is one country which has succeeded in reconciling an intense nationalism with the prudent use of foreign aid and capital. One of the most popular uses India makes of foreign resources is the management contract. Indian busi-

nessmen enter very readily into management contracts with British firms in such a way that a large portion of the ownership and, therefore, of ultimate control of business interests remain in Indian hands while, at the same time, the management of the business is turned over to British firms. In this way, full advantage is taken of superior management skill while the ownership claims are retained in the hands of its natives.

Loan capital from abroad is another type which does not carry the ownership claims of foreigners. The disposal of the capital is left pretty much at the country's own discretion to use in accordance with its own national development programs. This, however, is a double-edged advantage and points up a fundamental condition, that is, that the nation itself has developed the habits of thrift and skills of enterprise which are needed to use capital resources wisely and productively.

Concluding Comments

To sum up what we have said above, it would seem that a more rational and clear policy on foreign investments and the treatment of alien minorities in this country should be laid down by the Government. As we have seen, aliens have contributed a great deal to the economic development of our country in the past and there is certainly no reason why we should not avail ourselves of their capital, technology and skills in the future. This becomes even more important today when we are determined more than ever to pursue a program of industrialization in order to provide our people with a better standard of living. The role played by foreign investments and foreign nationals in our develop-

ment deserves the appreciation of everyone. However, while we should recognize and appreciate their contributions, our national interest dictates that we welcome them only in our midst without the sacrifice of our political sovereignty.

The case of the Chinese calls for special attention because, while they now constitute only a minority in relation to the native population, they have so entrenched themselves in such a dominant position in the economy that today our own people make up the minority in the economic field. With the large size of the Chinese population here, which is growing at a fast rate, it is likely that this economic domination may develop in the not too-distant future into a political or even a police problem. This is the sad experience now obtaining in most countries of Southeast Asia, particularly in Malaya, Singapore, Thailand and Indonesia.

The case of the Chinese minority should be handled with consummate care by the Government. For instance, if we do not wish the Chinese to remain in the retail trade and other channels of distribution in which they have been engaged for centuries, the Government must make clear exactly where it wants the Chinese to be. This is a matter of national urgency today because the Chinese control the bulk of our domestic savings which we need vitally for our economic development. As President Magsaysay stressed in his State of the Nation address to Congress last January, our economic development must depend primarily upon the country's own internal resources, with foreign capital playing only a subordinate role. Therefore, if we are to enlist the Chinese and their vast financial resources on our side in our effort to develop the country, the Government must come out with a clear and definite policy on the role that the Chinese are to play in this development process.

ECONOMIC LETTER FROM MANILA

A P1.275 billion budget for the fiscal year beginning next July 1 was submitted to Congress by Pres. Magsaysay. The figure is virtually double the size of any previous budget. 47% of it will be spent for economic development projects, largely self-liquidating in nature, to improve the economic lot and raise the social standards of rural people. The budget proposes to raise P535,000,000 through Government bond issues in the local market. The budget allots 25.4% of its total for social development, including education, health and labor; 10.2% for national defense; 8% for general Government expenses; 8% for debt service; and 1% for a budgetary reserve.

The President wants his rural electrification program to be given priority and carried out at the earliest possible date. One phase of this project is the use of electric turbine pumps to irrigate vast land tracts along the Pampana River.

Gov. Miguel Cuaderno of the Philippines Central Bank and officials of the U.S. Export-Import Bank negotiate on a possible loan to shore up the Philippine economic position. U.S. officials have indicated recently that a loan to the Philippines may be in the offing. In the past the Philippines has talked about a loan of \$50,000,000. Normally the Export-Import Bank does not make loans to cover balance of payments but has been known to do so in cases where it is necessary to sustain active trade.

Placido L. Mapa, former RFC chairman, urged Pres. Magsaysay to negotiate for a \$400,000,000 loan from the U.S., repayable within 20 years. He declared that the issuance of bonds is the most expensive way in which the

government can pour money into the economy. He said that high prices for most commodities were caused not so much by tariffs but by announced reduction of dollar allocations for them.

A "managed currency" bill was introduced in the lower house by Rep. Godofredo Ramos. The congressman declared that the limited amount of money in circulation in the country largely accounted for the present unsatisfactory state of the national economy. He said that the money in circulation, including that in banks, is inadequate if compared to money in circulation in the U.S. and other progressive countries. He pointed out that the money in circulation in the Philippines is less than P667,000,000 and demand deposits in banks amount to P558,000,000, whereas the country's national tangible wealth is P30 billion and the national wealth potential, P100 billion. Ramos said that if the country had P6 billion in circulation, it would be sufficient to "solve unemployment and underdevelopment problems and develop our agriculture, industry and commerce."

Stating that the Philippines last year had increased its importation and consumption of gasoline, Pres. Magsaysay called upon the Bureau of Internal Revenue to explain why there has been a P15,000,000 drop in gasoline revenue collections. This seems to indicate corruption on a big scale.

In a move to conserve and make the best use of the country's foreign exchange resources, the President issued two policy statements which indicated that: 1. Licenses, dollar allocations, tax exemption and other privileges to new industries will henceforth be limited to those new industries which use at least 60% local raw materials. However, exist-

ing industries will continue to receive allocations for importation of essential raw materials. 2. Dollar allocations for the importation of raw materials may be temporarily suspended. 3. Reduced dollar allocations for non-essentials, luxuries, and goods being produced locally will be ordered. 4. Barter imports under the no-dollar law will largely be restricted to commodities considered urgent and essential. These will be sold through the government's National Marketing Corp., allowing a reasonable profit to the producers. 5. Importation of non-essential goods will not be abandoned altogether. Importation of non-essential goods will gradually be correlated with barter imports under the no-dollar import law, with coordination between the exporter-producers and importers of such non-essential goods to be effected through a clearing-house to be established for this purpose.

The Philippine Chamber of Industries has asked the Central Bank to issue one-year letters of credit to manufacturers and producers, because industrialists estimate their production and sales on a 12-month basis. The P.C.I. notes that planning and operations are often upset under the present system of issuing letters of credit good only for six months.

Specific tax collections of the government increased by more than P8,000,000 from January through the end of November in 1955, as compared with the same period in 1954. There was an additional P8,636,000 increase in the sale of strip stamps on cigarettes.

The Senate approved a bill abolishing all registration and annual license fees on radio and television sets. There is an estimated total of 300,000 owners of registered and unregistered sets in the country.

The Philippine Long Distance Telephone Co. completed the year 1955 with 45,863 telephones in service and an expanded toll network reaching 153 communities throughout the Philippines. Exchange development reached 142% of the maximum prewar level and national coverage was 247% of prewar. The company's capital was further expanded during the year through the sale of bonds and preferred shares in the total amount of P8,703,600. This brought the company's total capitalization to P34,762,700, as compared to P10,687,918 in 1948. At present there are over 3,000 investors, with 58.3% of the investments held in the Philippines.

The ICA has announced a new allocation to the Philippines of \$800,000 for materials for a water supply project. Procurement will be carried out through the National Economic Council Procurement Office (formerly PHILCUSA) in Manila. Terminal delivery date, June 17, 1957. Principal categories include \$426,000 for iron and steel mill articles; \$316,900 for construction, mining and conveying equipment; and \$54,000 for motor vehicles, engines and parts.

Pres. Magsaysay issued a strong statement making it clear that administration policy "favors maintenance of the relationship of the peso to the dollar in order to preserve the stability of the Philippine currency."

Labor Secretary Adevosio said that he has urged Congress to reduce barriers to the admission of necessary foreign technicians to the Philippines, provided the technicians are actually specialists in fields where the Philippines is deficient.

Japanese operators salvaging sunken vessels in Philippine waters had brought up 24,000 tons of scrap as of Jan. 15. This represents about 60% of the 40,000 tons the Japanese are committed to salvage for the Philippines by March under an interim agreement. The spokesman said the Japanese government is ready to accept a request to salvage an additional 30,000 tons from 37 other vessels by June of 1957.

RCA Communications, which introduced customer-to-customer teleprinter service between the Philippines and all parts of the United States and Europe last November, is thinking of extending the service to leading cities in Argentina, Colombia and Venezuela. The company will also study the feasibility of added leased channel services for airlines operating in the Philippines to enable them to communicate directly with their overseas offices. Pan American now maintains 24-hour communication between Manila and the U.S.

Goodyear Tire and Rubber Company of the Philippines discounts rumors of a possible tire shortage in the Philippines. An official states that the company's new plant in Alabang, Rizal, scheduled to be ready for occupancy by the end of March, will be able to handle all foreseeable demands.

Atlas Consolidated Mining announces its January production as 153,620 tons of ore treated, a new high since the start of operations early last year and a 17% increase over the previous month. Ore milled averaged .74% copper and .01 ounce gold per ton. Copper concentrate production for the month totalled 4283 dry short tons, estimated to contain 1,802,581 pounds of copper and 535 ounces of gold.

A. M. Macleod, vice president of Philippine Oil Development Co., reported that drilling on the company's well in the Cagayan Valley reached a depth of 1842 feet on Jan. 29. At the depth of 1690 to 1736 feet the Formation Logging instruments indicated a substantial showing of dry gas. There was a smaller showing of gas while drilling between 1822 and 1842 feet.

Chas. A. Mitke, American consulting mining engineer who recently completed a four-year survey of the world's mines, said that the future of copper mining in the Philippines is bright and that the nickel deposits eventually will be one of the country's very important assets. He said that the nickel deposit on Nonoc Island off Surigao is one of the largest in the world.

THE SINGAPORE MASTER PLAN

Singapore Government has compiled a Master Plan Report which aims at maintaining her present status as an entrepot port. Implementation of the Master Plan will provide sufficient land in the right places for Singaporeans of tomorrow to have increasing opportunities to live, work and play in healthy and pleasant surroundings.

The Plan calls for the construction of three satellite towns, "green belts" and the improvement of communica-

tion, agriculture and industry. A total area of 6,838 acres is reserved for the "green belts" of which 1,152 acres will be used for playfields and public parks and the remainder for agricultural, recreational and institutional purposes.

If adopted, the Plan will go a long way to solve the problems that will beset Singapore in 20 years' time. Among the problems are: The need to improve conditions of overcrowding and bad housing; the need to provide sufficient

housing, educational and recreational facilities for the population in 1972; and the need to provide land for new industry so that work can be allotted to the increasing population.

For the purposes of survey, the island was divided into three general areas: Central Planning Area, Urban Planning Area and Rural Planning Area and Islands.

The realisation of the proposals set out in the Master Plan depends on the availability of money, labour and materials. Unless money, labour and materials are available for public and private enterprise. "not only as at present but augmented to keep step with the needs of the rapidly growing population, Singapore cannot maintain, let alone increase its present status." Most astonishing statement in the report is that the Plan itself will not cause more money, labour and materials to be expended. On the contrary, the report says, it will prove an economy because development and redevelopment will in any case proceed. But if they proceed according to the Master Plan, and not in an unco-ordinated and sporadic manner, much waste and confusion can be avoided.

The report considers it beyond its scope to comment on the effect the Master Plan will have on the finances of the Colony. It adds "The Master Plan indicates what should be done: it rests with the people of Singapore, by use of the energy and enterprise patent in the history of this settlement, to decide what shall be done."

The Master Plan deals at length with the ever increasing population, means of livelihood, redevelopment, community services, housing, open space, communications and public utility services.

POPULATION: The standard of living would be lower than at present and housing problems would remain should the population rise to 2,000,000 by 1972 (as estimated). Whereas the Colony's land is at a premium and its economy is limited by lack of natural resources, this is not true of land elsewhere in South-east Asia. The future use of land in Singapore should be related to a regional scheme which would take into account land in the Federation of Malaya and other areas in South-east Asia. To solve the problem of overcrowding in the City area, where one-third of the population lives, it is suggested that some of the people should move out to out-lying areas. "If about one-sixth of the present number leave, conditions could be improved immeasurably for those who remain." New settlements should be constructed of the following kinds:

1. New suburbs related to the parent City, of which Queenstown is a good example, comprising planned residential areas with adequate schools, open space, etc., and a measure of industrial and business use.
2. New towns, (Woodlands, Bulim and Yio Chu Kang) planned for self-sufficiency, having a corporate life of their own, and largely independent of the City, with places of work and community services on an adequate scale. Three new towns should be built on 7,000 acres of land to accommodate 200,000 people in 40,000 homes as follows: Woodlands (80,000 people on 3,000 acres); Bulim (85,000 people on 3,000 acres); Yio Chu Kang (35,000 people on 1,000 acres).
3. Expanded villages of which the nuclei already exist, to be developed to serve as centres of rural life. The prime need of these centres is community services on an adequate scale.
4. Agricultural settlements on land little used at present, to accommodate farmers and market gardeners displaced from areas required for other development. These settlements would contribute to the maintenance of the supply of local agricultural produce.

MEANS OF LIVELIHOOD: The importance of Singapore will decline should there be any diminution in the

volume of trade. "If trade does not expand to an extent commensurate with the increase in population, other means of livelihood and so sources of wealth must be encouraged." Much of the land now in private hands, is sub-divided into awkward shaped lots, and is not provided with essential roads and services; therefore setting up of a development corporation to acquire and develop the land for industrial purposes, is suggested.

REDEVELOPMENT: The proposals on redevelopment do not involve a wholesale sweeping away of property and its replacement by grandiose and expensive schemes. It is proposed that the process of development be on the line of a selected programme of demolition of those blocks which urgently require it, and their replacement by dwellings and other buildings, leaving part of the cleared site for schools, small open spaces and other community buildings.

COMMUNITY SERVICES: Provision should be made for education, health, district, community centres, religious buildings, cinemas, amusement parks, post offices, police stations, courts and shops.

HEALTH: Future expansion of health services on the Island is being planned in collaboration with the development of community centres. They are to be grouped into two main types—the district hospital and the maternity and child welfare clinics. The Plan envisages the establishment of clinics wherever a local centre is proposed. It suggests the building of district hospitals in certain areas to serve larger sections of the City.

COMMUNITY CENTRES: The Plan stresses the importance of community centres, an entirely new feature of life in Singapore, in order to provide facilities for a large variety of activities at present carried on in scattered premises. These centres will be used for child welfare purposes in the day.

RETAIL TRADE: The Plan considers that a satisfactory standard for future purposes in new development areas is one shop for 125-150 persons, of which a large proportion would be concentrated in a central shopping area. Another facet of the Plan is to encourage the development of main shopping centres in localities other than Raffles Place where the parking problem is becoming more acute. Such alternatives are those in Orchard Road and the well developed centre in High Street. Provision is also made for markets in areas where they are at present lacking such deficiencies being calculated generally on the basis of providing one food stall for 200 persons. In addition, markets are to be so located in densely populated urban areas that no home is further than one quarter mile from market.

HOUSING: The Plan suggests: Re-building of 30,000 houses in the centre of the city, the reduction of the population here from 340,000 to 290,000 and the accommodation of those moved in new homes elsewhere. Use of 7,000 acres of land for 110,000 new houses to accommodate 545,000 people, the clearance of attap areas affecting 161,000 people and the reservation of land for new attap settlements for 63,000 persons, in the urban area.

OPEN SPACE: Revealing Singapore's deficiency in open spaces, the Plan proposes: (a) Green Belts—1,152 acres of which 610 acres are suitable for parks and a further acreage for playing fields. (b) Town Open Spaces other than in Green Belt—1,600 acres. (c) District Open Spaces, including precinctal open spaces within the central area—650 acres. (d) School playing fields—580 acres.

COMMUNICATIONS: The importance of good communications is stressed. On road communications, the Plan calls for radical improvements to provide for a flowing system of traffic. The parking problem demands urgent attention.

SINGAPORE IN 1955

By George G. Thomson

Last year opened quietly. The Rendel Constitution had been adopted and came into force on February 8th; new political parties were forming themselves alongside the old; Singapore was bracing itself for its next irretrievable step forward.

On February 28th the election campaign began. For the 24 constituencies there were 69 candidates representing six political parties, and 10 Independents. The campaign had been preceded by mammoth meetings with Lion Dances, but it was in itself, keen but quiet and the speeches under the old Apple Tree stood out in the news. Election Day April 2nd passed off smoothly without incident. Throughout the day the new voters, the women no less than the men, went to the poll.

Under automatic registration the number of electors had increased fourfold from 75,000 to 300,000. And the number of women increased tenfold to 120,000. They had not been canvassed to go on the register; they had not individually been told what it meant to vote. Yet during the publicity of the campaign they came to learn the power and secrecy of the vote, and a poll of two-thirds (allowing for the incomplete state of the register) and half of them women, was achieved. It was a tribute to the good sense of the people.

No party had a clear majority but the largest single party though representing a minority of the votes cast, was the Labour Front with 10 candidates elected. They formed an alliance with the UMNO-MCA-SMU group of three, and these with the three official Ministers who would have been members of any Government, and two members nominated by the Governor, gave them 18 votes in a House of 32, a working majority.

The Opposition consisted of four Progressives, three People's Action Party, two Democrats, three Independents, and two nominated Unofficials, 14 in all.

The Government, with members of all communities, under Mr. David Marshall as Chief Minister, was formed on April 7th. The new Assembly first met to be sworn in with ceremony on April 2 under the dignified Speakership of Mr. G. E. N. Oehlers.

The Governor read the Queen's speech outlining the policy of Singapore's first elected Government. The first full Parliamentary experiment with a government responsible to the people through the Assembly and depending for its continued life on keeping the majority of votes in the Assembly had begun its stormy career. First it had to face the violence of the May riots over the Hock Lee Bus disputes when strikers and students were drawn into a maelstrom of murder. A Labour Front government were challenged to defend the whole community from deliberate violence even though its origin was a Labour dispute and they had not been seven weeks in office. The violence was checked.

Again in June, a group of Unions threatened the Government with the power of the street. They were defeated by their own precipitance and over-confidence, by the good sense of the majority of the Trade Unions in the Colony, and by the refusal of the government to be cowed.

The principle of Parliamentary Government that decisions are reached after full and free discussion in the Assembly and not to the tune of the shoutings of mob demonstrations in the streets was established, and it prevailed when the same tactics were attempted to prevent the passing

of the Public Security Laws, which replaced and reformed the Emergency Regulations, and which these threats of violence proved all the more necessary. The Assembly had asserted itself as an instrument of democracy.

The following month came the constitutional dispute over the rightness of the Governor in refusing the Chief Minister's request to appoint four Junior Ministers. The issue was resolved during the visit of the Secretary of State for the Colonies who agreed that the Governor, under the constitution, had the right to refuse, but also agreed that in future when the Chief Minister's advice was required to be sought, it should be accepted except in matters affecting the duration of life of the Legislative Assembly.

Meanwhile, on other issues the Chief Minister had achieved wider powers than had been conceded when the constitution was framed and became the Chief Minister in fact, the leader in the Council of Ministers under the Governor's chairmanship as well as the leader of the Assembly. And in the discussions of this issue, the Assembly with only one dissentient, and the three officials abstaining, passed the July resolution in favour of immediate self-government. This was the origin of the Chief Minister's visit to London in December with two of his colleagues, Mr. Lim Yew Hock and Che Abdul Hamid bin Haji Jumat for introductory discussions with the Colonial Office before the All-Party Mission which, it was agreed, would visit London in April to discuss the changes in the light of a year's working of the Constitution.

This preliminary mission in December agreed on the agenda for these talks which would cover the new constitution, including the issue of citizenship for domiciled people born in countries outside the Commonwealth, and the date of implementation. It was agreed too that multilingualism should be introduced, that the Chief Minister should have a separate Ministry without a department, and that the Council of Ministers should control the National Servicemen.

In political matters at home, the Assembly had established its prestige: with its discussions, its legislation and its passing of the first popular Budget it had learned the most difficult part of parliamentary procedure; the power of the Chief Minister and of the Council of Ministers had been widened; and the pace towards self-government had been increased with the concurrence of the Colonial Office. And all this in nine months!

Singapore's international links had been made anew. The Chief Minister led a Goodwill Mission to Indonesia in September, and opened a new era of personal contacts as the basis of a new understanding and co-operation in trade. He emphasised that as the central port of the area, Singapore could serve its neighbours and adapt itself to the new political and economic patterns of Asia, contributing to the new Asia as it had to the passing Asia, and being accepted as an essential and equal partner. A Working Party followed up the talks and the Bank Negara of Indonesia established its first overseas branch in Singapore.

In October came the Colombo Plan Conference at which 19 countries were represented. It was Singapore's biggest in the number and importance of the countries represented, in the rank of the Ministers who attended as delegates, and in the importance for Asia and of the world of the issues discussed. The Chief Minister presided with a success which earned high praise for his abilities.

Following the Conference he visited Ceylon and India, Singapore's South Asian and Commonwealth neighbours on

BUSINESS CONDITIONS IN LAOS

From a Correspondent in Vientiane (Laos)

The Kingdom of Laos is now a free and sovereign state. There is no longer such a thing as Indochina, French or otherwise. The Kingdom of Laos is a member of the U.N. There should be no more of this "Laos, Indochina" business.

The only reason many people have been led to believe there are only 1.7 million people in Laos is because that is all that registered when the French were in control and taxed them. Now that they are free and untaxed, they report themselves to total nearly 3,000,000 (that is only about one million less than there are now in the Kingdom of Cambodia).

Many foreign merchants believe that the market is limited here; but no market is limited which enjoys the peculiar privilege of buying U.S. Dollars for 40c each. The government of the USA is putting \$30 million into this country. That is \$10 for every man, woman and child. Since the country has no exports, it is impossible to let the currency arrive at some realistic exchange value, even by attempting to regulate it by means of a stabilization fund. Therefore, the U.S. Government has little choice but to provide Dollars at the rate of 35 Kip to \$1, despite the fact that Kip have been available anywhere at the rate of 80 to 1—until recently. Recently there developed a strange phenomenon. So many Kip are piled up in the National

responsible work. Hence the new Government lacks any trained or qualified personnel. Such a Government is obviously incapable of planning the expenditure of \$30 million. It became obvious to the U.S. I.O.A.'s local USOM that the Dollars could not be absorbed rapidly by means of Government projects. The Army and Police manage to soak up about \$3 million a month, but this is not enough to use up the money fast enough. Therefore, USOM set up a Committee of the Laos Government to approve Proforma Invoices submitted by merchants seeking to import goods. Upon approval of the Invoice by this committee, USOM makes available Dollars for which the importer deposits Kip in the National Bank at the rate of 35 to 1.

What has happened is that Bangkok merchants have made up Invoices with prices padded anywhere from 20% to 300% and sent them along to their associates in Vientiane. These opportunist traders have then applied to the Committee and got Import Licenses and Dollar authorizations. The Bangkok backer has then bought enough Kip on the black market at 80 to 1 to pay for the Dollars at 35 to 1. His associate in Vientiane has then opened a Letter of Credit to his head office or business connection in Bangkok for the Dollars. Taking conservative figures it works out like this:

Actual cost of goods:	\$10.00	Baht 220	
Invoiced up 100%:	\$20.00	400	
Kip required: 35 x 20			Kip 700
Price in Bangkok at 1 to 4		Baht 175	
Obtained from L/C:	\$20.00		
Baht equivalent in Bangkok:		440	
Net profit before shipment:		265	
Less actual value of goods:		220	
		45	
Nett:			
% Nett:	24%	EVEN IF THE MERCHANDISE WERE THROWN IN THE RIVER.	

Bank here, having been deposited to pay for some \$10 million, that there has developed an actual shortage of Kip with the result that the sheer process of supply and demand has pushed the value up a little—or to remain strictly Marxian, I should say has pushed the PRICE of Kip up a little.

There is, regrettably, no effective Government here. The French never did manage to train many Lao to do any

his way to London, and Pakistan on his return journey. Again he dramatised in himself the importance of the change which had taken place in the government of Singapore and made close links of friendship and understanding between Singapore and the Commonwealth countries whose support and advice will always be of importance to her welfare.

In turning the thoughts of Singapore outward towards its neighbours and emphasising that a positive initiative must be taken in building friendly links, a new and fundamental policy was inaugurated of an importance transcending all Party differences.

It has been a year of change and a year of turbulence; but it has also been a year of learning. To grow up is to learn from one's own experience and to accept the responsibility of learning and applying the lessons, knowing the fruits of success or failure will fall on those who make the decisions.

Singapore does not enter an easy year in 1956. She advances into a future which no one can confidently foresee; but she advances, if she has learnt well, wiser and more alert and, therefore, the more confidently.

However, since these goods actually cost Baht 220 in Bangkok, they may be sold for at least 250 in Northern Thailand. Also, since shipment is made by rail from Bangkok with transfer authorized at Norn Kai, L/C is payable against shipping documents showing goods loaded aboard train at Bangkok. The money collected, the goods when off-loaded at Norn Kai are then distributed throughout Northern Thailand and whatever is received is a net profit above and beyond the 24%.

In fact, since the bulk of this business is done by the Lao-Thai Company headed by the Prime Minister of Laos and Field Marshall Phin of Thailand, the goods often do not even leave Bangkok. For example, if there be 1,000 cases of milk involved, five may actually be shipped and clear both Customs Offices as 1,000 cases. In fact, in some cases, actual import duty into Laos has been paid on the full shipment to make the records here look good.

In such a miasma, how much of the stuff actually arriving in Vientiane is then passing by devious routes to the Viet Minh in Northern Laos and Northern Vietnam, nobody seems to know—nor does anyone seem to be inclined to investigate. I had a request from a Chinese merchant here for 648,000 pieces of lighter flints! Since the sparking flint in hand grenades is the same standard size as that used in cigarette lighters, one might be suspicious of such an order, might one not?

* * *

The city water system here is about the equivalent of what one would have on a fair sized private farm. The

power system is of about the same order. Piped water and wired power runs only about the very center of the town, and the water is so dirty and the light so poor that they are actually useless. USOM have dug their own wells and generate their own power. However, while projects are continually being sought, no one thus far has done anything about either water or light. The town is flooded in the rainy season, but I have heard not even a whisper of a drainage or sewage system project. And so it goes.

Quite a few traders in Bangkok thought that Laos being a new country, even though the market is very small, one could get in on the ground floor and by seizing a large number of exclusive agencies for high class branded goods, do a satisfactory volume of business even if the individual orders might be very small. They came to grief for two reasons. The first being connected with the spirit expressed in "Laos, Indochina". Most internationally famous manufacturers have been represented in Indochina by a French firm with headquarters at Saigon. When some Bangkok firms applied for agencies, they have been told that the manufacturer already has an agent for Indochina, namely such and such a firm with offices at Saigon. Since there is no trade agreement between Laos, Cambodia, and Vietnam; and since there is one between Laos and Thailand; and since Thailand allows free transit of goods to Laos; and since the direct rail freight from Bangkok is much cheaper than the water and rail shipping costs from Saigon thru Cambodia to Vientiane; and since there are also serious customs problems involved in this route in the absence of trade agreements: Saigon based agents cannot possibly service this market. Nevertheless, although the U.N. has recognized Laos, the leading manufacturers of the world have not yet granted recognition.

The second snag is that goods invoiced from the U.S. or Europe take several months to get here; or, for that matter, even to get shipped. A given sum of speculative capital can be turned over half a dozen times on transactions between Vientiane and Bangkok in the same period that it would take to turn it over once on a transaction with Pittsburgh or London. Since there is anywhere from 50% to 500% to be made on each turnover, naturally the speculators want the fastest method. So almost all goods thus far imported have been invoiced from Hongkong, Singapore, or Bangkok.

Furthermore, all this business is theoretically subject to the famous Regulation One of the American legislation creating the ICA. Reg. One makes it obligatory on the supplier to swear that the prices invoiced are no higher than those charged any American Gov't agency; that freight rates are competitive and apply to American flag ships; and that insurance rates are competitive. No responsible American

or European supplier will pad the invoices because they are subject to re-examination by their governments in collaboration with the American Government anytime within five years; and, if found to have over-invoiced, over-priced, or to have paid or allowed to be paid any contingent fees, commissions, or kickbacks, to be required to refund the difference in Dollars.

Finally, since the standard bribe to the Committee to get invoices approved is 15%; and to the National Bank to get the Dollars is 2%; no merchant could afford to import goods properly invoiced in the States or Europe. There would not be enough left to make the deal pay; and, furthermore, if the goods were actually imported into Vientiane, they would so flood the market that their sale would be impossible. To make it even worse, the Committee insists that legitimate importers price their goods for sale reasonably in the light of their actual cost to the importer. This puts the final quietus on any thought of actually importing goods from the West against proper invoices.

So, once more, the United States Government is not only failing in its object of improving the economy of the country, but actually—and again as usual—so stimulating speculation as to create a super-wealthy group of corrupt politicians whose sudden extreme wealth and obviously extravagant living creates a glaring contrast to the common people; opens a vast gulf between the wealthy few and the rest of the population; and fertilizes the social soil beautifully for the implantation of Communist propaganda.

Since the personnel of the political parties in power under the provisional government were both directors of the Lao-Thai Company and associated enterprises; and since these few men were also the Prime Minister, the Minister of Commerce, the Minister of Finance, and the membership of the Standing Committee which handled all this money; it was not at all strange that in the recent elections they were all easily re-elected. The fact that there have been continuous "buls"—sort of a combination country fair, picnic, and carnival which is held in the grounds of a temple—may have had something to do with it. There are numerous temples here. A "bul" would be run at a temple for four or five days. It would then move, lock, stock and barrel to another temple, where it would hold forth for another few days. This went on without let-up all thru November and December. At these "buls" the people eat, drink, dance, gamble, and make merry—all for the greater glory of Buddha. Of course, the common people cannot finance these deals, but people who contribute make a lot of "merit" with Buddha—and, incidentally sew up a lot of votes at the next election.

LAOS-THAI RELATIONS

Hereditary and cultural ties between Thailand and Laos date back to time immemorial. The languages of the two countries are almost identical. However, the close relationship between the two countries was temporarily interrupted when Laos was brought under French rule. After Laos had gained her independence as a sovereign state, friendly relations between the two countries were resumed instantly. Trade relation between them was also renewed as evidenced by the fact that in July 1955, a customs agreement was concluded between Thailand and Laos whereby goods in transit to the territory of either country would be accorded intransit rights. The most favored nation principle is also followed by the two countries.

At present Laos is in need of many goods, especially rice and manufactured articles. Her shortage of foreign exchanges is a major hindrance to her economic development.

Goods imported into Laos used to pass through Saigon, but with the concluded customs agreement between Thailand and Laos, it is hoped that many items of goods may be re-exported to Laos from Thailand. Moreover, some Thai products could readily find markets in Laos.

The Thai Government has recently established rules and regulations with respect of goods to be exported to Laos which may be summarized as follows:

1. Goods exportable to Laos must be goods which are plentiful in Thailand.
2. Goods are exported in exchange for U.S. dollars or pounds sterling.
3. Goods shall be exported only upon receipt of letters of credit.

Traders in Thailand took serious interest in finding ways and means to establish business with Laos merchants. A potential market for Thai products in Laos exists.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week of 13th to 18th February 1956:

U.S.\$				
Feb.	T.T. High	T.T. Low	Notes High	Notes Low
13 to 15	H o l i d a y s			
16	\$590%	590%	588%	587%
17	592	591½	589%	588%
18	592½	591½	589%	588%

D.D. rates: 590½ High, 588 Low.

Trading totals: T.T. US\$1,620,000; Notes cash US\$280,000 and forward US\$1,220,000; D.D. US\$175,000. The market opened with a firm tone after the holidays due to the increase of Bank rate from 4½ to 5½ in London. In the T.T. sector, exchange operators and gold importers provided good demand while offers from Japan, Korea and Bangkok remained unexhausted. In the Notes market, speculative buying was not very active. Interest for change over favoured sellers at \$1.75 per US\$1,000. Positions taken averaged US\$2 million a day. In the D.D. sector, the market was very quiet.

Yen: Cash quotation was \$1.450 per Yen 100,000. No forward transaction was recorded. Interest favoured sellers at \$7.21 per 100,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.92—1.87; Japan 0.014675—0.0146; Malaya 1.88; Indochina 0.06756; Thailand 0.2702. Sales: Pesos 120,000; Yen 35 million; Malayan \$110,000; Piastre 3 million; Baht 2 million. The market was very quiet.

Chinese Exchange: People's Bank notes remained at \$1.60 per Yuan. Taiwan Dollars were quoted at \$152—150 per thousand, and remittances at 151—150.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.76—15.74; Australia 12.25; New Zealand 13.71—13.68; Egypt 15.20; South Africa 15.48—15.45; India 1.18625—1.185; Pakistan 0.895; Ceylon 0.91; Burma 0.67; Malaya 1.84; Canada 5.88—5.875; Philippines 1.99—1.9775; Macao 0.985; Switzerland 1.35; France 0.0147; Indochina 0.0705—0.069; Indonesia 0.159—0.158; Thailand 0.258—0.257.

GOLD MARKET

Feb.	High .945	Low .945	Macao .99
13 to 15	H o l i d a y s		
16	\$256%	256	Low 265%
17	257%	256%	
18	267%	257%	267 High

The opening and closing prices were \$256½ and 257½, and the highest and

lowest 257½ and 256. The market was very steady. Interest favoured buyers at \$10.42 per 10 taels of .945 fine. Tradings totalled 14,700 taels averaging 4,900 taels per day; positions taken averaged 13,800 taels per day. Cash sales amounted to 12,180 taels; 2,680 listed and 9,500 arranged. Imports from Macao totalled 1,500 taels. One shipment of 51,600 fine ounces reached Macao by air through here. Exports totalled 12,000 taels (5,000 to Singapore, 3,500 to Indonesia, 2,000 to Rangoon, and 1,500 to Indochina). Differences paid for local and Macao .99 fine were \$13.20—12.80 and 12.60—12.50 respectively per tael of .945 fine. Cross rates were US\$37.80—37.76; 12,800 fine ozs. were contracted at 37.75 C.I.F. Macao.

Silver Market: The market remained quiet. Bar silver quoted at \$6.05 per tael with 300 taels traded; \$ coins at \$3.92 per coin with 500 coins traded; and 20 cent coins at HK\$3.00 per 5 coins.

Philippine Peso: The attack against the peso continues and influential circles in Manila try to convince the Government that a rate of 3 pesos to one US\$ would be more desirable and reasonable than the existing parity of 2:1. However the majority of the public and practically all members of Gov't hold that the official rate should and must not be changed. If improvements occur, as are being planned by the Malacanang, and the vast resources of the country can be gradually developed, at the same time existing controls are being properly administered, there would seem to be no reason to expect any devaluation of the peso. Basically the economy of the Phil. is sound. What is less sound is the prevailing graft and indolence and state of insecurity in considerable parts of the country. With Magsaysay further in control of the affairs of state, and his second term being assured, one can repose confidence in the continued good health of the nation.

The local free market rate for notes is around \$2 (or 34 USc) and for transfers (cable, DD, letter authority) about \$1.80—1.95 (or 31 USc). There always is a difference in these two rates resulting from the fact that while transfers are simple, the local sale of notes depends on supply from Manila. Smuggling of peso notes out of the Phil. is not always free of risks though it is being done all the time. Several gangs are operating the organised smuggling of currency notes, and individuals are also trying their luck at times. The local free market rate for TT Manila and notes is usually in line with New York rates; currently New York offers peso notes at 35USc (or 2.85 pesos per

US\$1). On the basis of local free rates the peso appears to be discounted, against the official rate, by about 32%.

Without operations of the overseas Chinese in the Phil. the free rate of the peso would be considerably higher; there is always an outflow of pesos from the Phil. as overseas Chinese in that country, for various reasons, transfer current earnings and capital to Hongkong, China (for relatives' support) and other countries. The Phil. Gov't has often emphasised that many of the Chinese domiciled in the Phil. are doing harm to the economy of their guest-country, and the public in the Phil. seems to be convinced of that. Cost of living in Manila is still somewhat higher than in surrounding countries in the Far East but this is largely the result of much mismanagement in the affairs of the state by often incompetent officials.

Indonesian Rupiah: The parity has not been altered for a long time though influential circles in Djakarta and Surabaya prefer to see it brought more into line with overseas free markets. In recent months the free rate has slightly improved and may continue on this way provided that political stability can be assured and international payments better balanced than was the case in the past few years. Public confidence in the new Gov't in Djakarta is rising but return to more stable economic conditions will be slow. The wealth of Indonesia is enormous and prospects are very bright if peace, order and true cooperation will prevail in that vast archipelago. Capital export continues and may continue for still some time; this will have a weakening influence on the free rate of the rupiah. On the other hand, there has been growing international support for Indonesia's economy. During this year, it may be hoped to witness gradual consolidation and consequently an improved position of the currency on free markets.

The local market quotes in recent weeks 100 rupiahs (notes and transfers) at \$14.50 to 16.50 or HK\$1 at 6.06 to 6.90 rupiahs. The parity with the local dollar is about \$50 per 100 rupiahs. The rupiah is discounted locally, and also in other SE Asian exchange markets, by 67% to 71%. In New York the recent quotation for the Indonesian currency ranges between Rp 34½ to 36 per US\$1 or Rp 100 are traded at US\$2.78 to 2.90. The official rate remains at Rp 11.40 per dollar or Rp 100 quote at US\$8.77. The discount which the rupiah suffers in New York is about the same as in Hongkong, Bangkok, Singapore etc., viz. 67%.

Cost of living in Djakarta, being higher than elsewhere in Djawa or Sumatera, is on the basis of the free

exchange rate very low but on the basis of the official rate far too high. Devaluation of the rupiah may have to come eventually, perhaps to a level of 25 rupiahs to the US\$.

HONGKONG SHARE MARKET

The local stock market was very active during the 24 days of trading last week. The market opened on Wednesday with steady prices after the Lunar New Year. On Thursday, the turnover amounted to \$2.77 million which was the highest figure registered this year; prices firmed up. Two dividend announcements (Green Island Cement and HK Electric) added more stimulation to the market and on many counters there were more buying offers than selling quotations. On Friday, news of an increase of 1% in the Bank of England's interest rate led to some nervous selling which caused a temporary recession in prices. Towards noon, however, the market was steady again but the closing rates were lower than those for the previous week. Banks in HK with overdrafts in London will feel the effect of the new squeeze and may have to pass the higher charge that will be made for their overdrafts on to the HK public. However, by the end of last week, the HK and Shanghai Bank had not decided to increase its rates for borrowing. Fluctuations during the week are shown below:

Shares	Feb. 10	Feb. 16	Feb. 17 (lowest)	Feb. 17 (closing)	Up or Down
HK Bank	1780	1800		1775	—\$5
Union Ins.	1010	1010		1000 s	—\$10
Wheelock	8.90	8.85	8.75	8.80	—10¢
HK Wharf	70	72		72	+ \$2
HK Dock	33.50	33.75		33.25	—25¢
Provident	15.60	15.50		15.20	—40¢
Land	63.50	64	63	63.50	steady
Realty	1.625 s	1.65		1.625 s	steady
Hotel	18.10	18		18 s	—10¢
Trams	25.50	25.50		25.40	+10¢
Star Ferry	141 b	144		145 s	+ \$4
Yaumati	107	108	106	107	steady
Light (o)	22.80	23	22.50	22.70	—10¢
Light (n)	18.80	19	18.50	18.80	steady
Electric	44.75	46.25	43.75	44.25	—50¢
Telephone	34.75	34.50		33.25	—\$1.50
Cement	39.50	40		39.50	steady
Dairy Farm	18.60	18		17.90	—70¢
Watson	12.60	12.70	12.50	12.60	steady
Yangtze	6.90	7		6.95	+5¢
Allied Investor .	5.60 s	5.60 s		5.50 n	—10¢
HK & FE Invest.	11.30 b	11.40 b		11.30 b	steady
Amal. Rubber ..	1.80	1.80 s		1.75 n	—5¢
Textile	5.50	5.50		5.40	—10¢
Nanyang	7.70	7.75		7.60	—10¢

Monday and Tuesday: Holidays.

Wednesday: The market was active when trading was resumed after the Chinese New Year holidays with prices generally well maintained in early dealings. However, towards the close light-scale profit-taking led to a slight recession in some issues. The bulk of the trading was in Hotels, Trams, Lights and Electrics. The turnover amounted to approximately \$1,120,000.

Thursday: Active market conditions prevailed; the turnover amounted to approximately \$2,770,000. H.K. Banks were in good demand; 210 shares changed hands at \$1.800. There was some brisk

trading in utilities with Electrics, China Lights, Trams and Yaumatis all well supported. China Providents were also active but there was little change in price. Dairy Farms however were the soft spot and went against the trend of the market. **Friday:** News of an increase of 1% in the Bank of England's interest rate led to some nervous selling which caused a temporary recession in prices. However, towards noon the market steadied on support at the lower levels and in the afternoon the market was again active and prices fluctuated either way but within narrow limits. The turnover for the day amounted to approximately \$2,310,000.

DIVIDENDS

The Green Island Cement Company, Limited, announced a dividend of \$2.50 per share and a bonus of \$1.50 per share for the year 1955.

The Hongkong Electric Co., Ltd. announced a final dividend of \$1.60 per share. The Company will call in HK\$10 million of unissued capital of the Company by offering two new shares for every seven shares held at the par value of HK\$10 per share to shareholders. \$5 million will be transferred from general reserve to issued capital account by the issue of one new share credited as fully paid for every seven shares held. When the above shares are issued, the dividend will approximate \$1.80 per share per annum. An extra-

ordinary general meeting of shareholders will be held on March 15, 1956 immediately after the annual general meeting to pass a special resolution increasing the authorised capital of the Company from HK\$50 million to \$100 million.

mained steady but Rubbers were inclined to ease. The mid-week rise in the metal price led to some recovery in Tin shares which, however, was as short-lived as the higher metal price. Patient holders of Oriental Telephones may be reassured by the Chairman's report that the Board has decided to liquidate its wholly owned subsidiary, The China Japan Telephone & Electric Co. It is intended to distribute the subsidiary's assets which include 225,000 shares of HK\$10 each of the Hongkong Telephone Company and cash and Treasury bills amounting to £1,192,000 net to the parent company. It is hoped to complete the liquidation of the China Company in a few months. The Annual Meeting of the Oriental Telephone Company will be held in April to present 1955 Accounts and recommend payment of a dividend.

In the Industrial section Wearnes went from \$2.87½ to \$2.90 and closed firm. Straits Traders had buyers at \$26½, Straits Steamship at \$12.65 and Wm. Jacks up to \$3.00 cum the 20% final. The favouring by the Transport Commission of the unification of Singapore's entire passenger transport system under a single public-owned authority led to an improvement in Singapore Traction Ords. with business at 27/6 with buyers over. McAlisters had

SINGAPORE SHARE MARKET

With the approach of the Chinese New Year holidays operators adopted a policy of inactivity. Industrials re-

HONGKONG AND FAR EASTERN TRADE REPORTS

The local commodity market was quite active during the 3-day trading last week after the Lunar New Year; prices were generally steady with popular items registering gains.

TRADE DEVELOPMENTS

Trade Restrictions: IRELAND announced that the import quota for silk or artificial silk stockings (socks excepted) was 570,000 dozen for the period from March 1956 to February 1957. UK required that exports of metal scraps exceeding £35/- in value must be covered by export licences. VIETNAM prohibited the import of fresh fruits.

China Trade: Under the £5 million trade agreement with Yugoslavia, China will export leather, tin, non-metal ores, flax oil, tea and graphite in exchange for tobacco, textiles, antibiotics, chemicals and agricultural machinery from Yugoslavia. To the local market last week, China sent more exports including 200 tons teaseed oil, 277 tons groundnut oil, 7,905 bags beans, 3,154 bags-groundnut kernels, 5,809 bales native paper, 1,340 casks porcelainware, 1,856 bags water melon seeds, 3,131 bales Chinese medicine, 101 cases silk piecegoods, 4,271 cases iron nails, 836 cases vacuum flasks, 120 cases enamelware, etc. Exports to China remained insignificant.

Taiwan Trade: Taipei lowered the export floor prices for some categories of

exchanges at \$3.17½ and \$3.15 and Gammons clipped further with business down to \$2.35. Robinsons had buyers at \$2.62½, Metal Box at \$1.67½, United Engineers at \$9.20 and Hammers at \$2.82½ cum 17½%.

Petalings went from \$4.07½ to \$4.22½ to \$4.12½ cum the 15% final and Tai-ping Consolidated had exchanges from \$1.40 to \$1.45 to \$1.40. Austral Amalgamated rose to 18/3 before falling again to 17/9 and Lower Perak touched 16/6 but closed 15/9 sellers. Kuala Kampar remained steady around 32/- cum the 5/- capital return. Ampats were taken from London at 9/6 and Southern Malayan at 9/2d.

There was little activity in the Rubber section. Kundong Rubber, after the excellent results shown below, had exchanges at \$2.87½ cum 37½%. London accepted Jaram Rubber at 2/- and 1/11½ and Langkon (North Borneo) at 2/- and 1/11½. Chota Rubber with the prospect of the sale of both its estates had exchanges at 2/3½ and 2/4½. Bangawans had business at 7½d. and Madingley at 1/6d.

Peko improved to 9/0½ whilst Oil Search, which for a brief moment fell to A10/9 in Australia, closed with business at A15/-.

Further funds went to United Kingdom War Loans but turnover in local loans was considerably reduced.

tea. The new prices (FOB Taiwan per lb in US currency) are now: Black Tea, FOP 32c, BOP 28c, OP 26c, P 25c; Oolong Tea 30c; Green Tea, Chien Mei 30c, Shiu Mei 26c, Gun Powder 34c; Pochung Tea, Scented 32c, Plain 30c; Broken Tea, Black 26c, Green 21c. From here Taiwan bought selective items of pharmaceuticals and industrial chemicals. Imports from Taiwan included sugar, citronella oil, tea, feathers, fresh fruit, canned goods and live pigs.

Japan Trade: Tokyo negotiated with Taipei to send more chemicals, steel, machinery, non-ferrous metals and miscellaneous goods to Taiwan to balance her trade deficit of US\$20 m. resulted last year from Japan's imports of US\$80 m. worth of rice, sugar, salt, and copper ore from Taiwan. Exports to Taiwan last year amounted to only about \$60 m., consisting mostly of ammonia sulphate, steel, cement, machinery, vehicles, ceramics and chinaware. Tokyo announced higher export target of cotton yarn and cloth for 1956: cotton yarn US\$242 m. and cotton cloth US\$22 m. From here Japan maintained her purchase of China produce but her demand for metal scraps waned.

Korea Trade: The allocation of US\$3.5 million foreign exchange was delayed in Seoul. Meanwhile tenders were invited for the supply of cotton yarn, jute yarn, paper (packing, tape and cartridge), paraffin, copper plate, steel bar, steel sheet, plate tie, steel wire, miscellaneous iron and steel manufactures, and chemicals. From the local market Korea stepped up her purchases of chemicals and dyestuffs. Letters of credit amounting to about US\$500,000, reached here lately. Shipments to Korea included also paper, staple fibre yarn, and metals.

Indonesia Trade: Exports to Indonesia slowed down after the Lunar New Year. Orders, however, were received for textile products and other HK manufactures.

Thailand Trade: Bangkok was considering to prohibit the imports of glassware, toys, and some rubber manufactures. More new orders reached here from Thailand, mostly for cotton yarns of 40's up, textiles, hollowware, pressure lanterns, combs, paper, etc. To the local market, Thailand continued to send rice and other staples.

Philippine Trade: Barter licences granted by Manila last week included the exchange of US\$402,000 worth of mango for metals of equivalent value from HK. Letters of credit were also received here from the Philippines covering shipments of galvanized iron sheets, cotton piecegoods, cotton yarn, cotton stockings, and torchlight cases.

Burma Trade: Burma bought substantial quantities of cotton textiles from India. An Export Development Board was set up recently in Rangoon

to push the exports of farm products. Due mainly to Burma's direct trade with India, Japan, and China, her trade with HK was limited to small shipments of cotton socks, knitted goods, and sundry provisions from here to Rangoon.

COMMODITIES

China Produce: Market was active after the holidays; sharp price-gains were recorded in many popular items. Groundnut kernel registered substantial turnover with the arrival of new supplies; teaseed oil advanced on keen demand from Europe; woodoil was steady with orders from Japan and Australia. Maize enjoyed renewed demand from Japan; camphor tablets and dried ginger were enquired for by Europe; dried chili was bought by Korea; rhubarb was purchased by Indonesia; cassia lignea remained a favourite with India and Europe; alum was purchased by Singapore; and hen egg albumen crystal by India. Green pea gained on repeated orders from India, Japan, and local retailers; green bean was purchased by Japan; while red bean and black bean were steady with local demand.

Metals: Trading was not very active after the holidays; prices, however, were firm on low stocks. Mild steel round bars gained further on advanced Japanese indents. Mild steel plate improved on low stock. Black plate waste waste reached peak levels when indent went up and stock dwindled. Galvanized iron wire and galvanized iron pipe firmed up on steady local demand. Other popular items improved with the brisk local demand were baling hoop, lead, zinc scraps, and fibre sheet. Brass and copper scraps enjoyed steady demand and price gains following improvements in the international market. Iron scraps however were depressed by low offers from Japan. Tin was bearish because Singapore price went down.

Paper: Trading was limited to a few popular items. Local dealers however booked more supplies from Europe. Transparent cellulose paper and M.G. white sulphite drew strong demand from Korea but stock shortage and low buying offers curbed the business. Newsprint in reels was favoured by the same source; price edged up slightly. M.G. ribbed kraft was purchased by Singapore but selling pressure prevented improvements.

Industrial Chemicals: Prices were firm throughout the week. Titanium dioxide was short in stock; forwards went up. Sodium perborate and sodium sulphide registered gains; shellac recovered on enquiries from Taiwan; but formalin was depressed by new arrivals. Korea bought carbon tetrachloride and enquired for lactose and sulphuric acid. Nickle sulphate was low in stock; price improved.

Pharmaceuticals: Stronger demand from Taiwan, Korea, and S.E. Asia kept prices very steady. Taiwan bought dihydro-streptomycin, quinine ethylcar-

bonate, and vitamin B powder; Korea purchased santonin crystal and sulfathiazole powder; and S.E. Asia took aspirin powder, dihydro-streptomycin, glucose powder, saccharine crystal, and brooklax. Local demand covered caffeine alkaloid, creosote, penicillin preparation, quinine sulphate, saccharum lactose, sanotogen, sulfadiazine powder, and vitamin preparation.

Cotton Yarn & Textile: HK yarns remained firm with orders from Indonesia while Indian yarns improved on demand from local weavers and Thailand. HK textile manufacturers received more orders from UK; some mills were fully booked up to the end of July.

Rice: Market was quiet and prices bearish when more supplies reached here from Thailand.

Wheat Flour: Substantial turnovers at improved prices were recorded. American and Australian products were firm. Canadian flour, however, was barely steady. HK flour remained steady.

Sugar: The sugar market registered only limited local sales. Prices were steady with the exception of Taikoo and Philippine sugar which dipped slightly.

Marine Products: Dried shrimp turned steadier under purchases by the Philippines. Awabi firmed on better local demand. Compo, cuttle fish, and dried oyster were sluggish.

Sundries: Water melon seeds, especially the black variety, enjoyed brisk demand from S.E. Asia as well as from local buyers; prices moved further up on low stocks. Salted olive meat was favoured by Singapore and local retailers at steady prices. Tapioca powder improved on demand from local spinning mills. Lotus nut and preserved date improved slightly under local buying support. Plum was popular and prices advanced on higher cost. Mushroom continued bearish under heavy supply.

Hongkong Products: The plastic toothbrush industry received more orders from Malaya and the Philippines but failed to improve exports to Indonesia and Thailand due to the import restrictions in these countries.